

CRS Report for Congress

China-U.S. Relations: Current Issues and Implications for U.S. Policy

Updated October 9, 2008

Kerry Dumbaugh
Specialist in Asian Affairs
Foreign Affairs, Defense, and Trade Division



Prepared for Members and
Committees of Congress

Report Documentation Page				Form Approved OMB No. 0704-0188	
Public reporting burden for the collection of information is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to Washington Headquarters Services, Directorate for Information Operations and Reports, 1215 Jefferson Davis Highway, Suite 1204, Arlington VA 22202-4302. Respondents should be aware that notwithstanding any other provision of law, no person shall be subject to a penalty for failing to comply with a collection of information if it does not display a currently valid OMB control number.					
1. REPORT DATE 09 OCT 2008		2. REPORT TYPE		3. DATES COVERED 00-00-2008 to 00-00-2008	
4. TITLE AND SUBTITLE China-U.S. Relations: Current Issues and Implications for U.S. Policy				5a. CONTRACT NUMBER	
				5b. GRANT NUMBER	
				5c. PROGRAM ELEMENT NUMBER	
6. AUTHOR(S)				5d. PROJECT NUMBER	
				5e. TASK NUMBER	
				5f. WORK UNIT NUMBER	
7. PERFORMING ORGANIZATION NAME(S) AND ADDRESS(ES) Congressional Research Service, Library of Congress, 101 Independence Ave, SE, Washington, DC, 20540-7500				8. PERFORMING ORGANIZATION REPORT NUMBER	
9. SPONSORING/MONITORING AGENCY NAME(S) AND ADDRESS(ES)				10. SPONSOR/MONITOR'S ACRONYM(S)	
				11. SPONSOR/MONITOR'S REPORT NUMBER(S)	
12. DISTRIBUTION/AVAILABILITY STATEMENT Approved for public release; distribution unlimited					
13. SUPPLEMENTARY NOTES					
14. ABSTRACT					
15. SUBJECT TERMS					
16. SECURITY CLASSIFICATION OF:			17. LIMITATION OF ABSTRACT Same as Report (SAR)	18. NUMBER OF PAGES 44	19a. NAME OF RESPONSIBLE PERSON
a. REPORT unclassified	b. ABSTRACT unclassified	c. THIS PAGE unclassified			

China-U.S. Relations: Current Issues and Implications for U.S. Policy

Summary

U.S.-China relations were remarkably smooth for much of the George W. Bush Administration, although there are signs that U.S. China policy now is subject to competing reassessments. State Department officials in 2005 unveiled what they said was a new framework for the relationship — with the United States willing to work cooperatively with China while encouraging Beijing to become a “responsible stakeholder” in the global system. U.S. Treasury Secretary Henry Paulson in December 2006 established a U.S.-China Strategic Economic Dialogue with Beijing, the most senior regular dialogue yet held with China. But other U.S. policymakers have adopted tougher stances on issues involving China and U.S.-China relations. They are concerned about the impact of the PRC’s strong economic growth and a more assertive PRC diplomacy in the international arena; about procedures to assure the quality of Chinese pharmaceuticals, food, and other products being imported into the United States; and about trade practices and policies in China that contribute to a strong U.S.-China trade imbalance in the latter’s favor.

Taiwan, which China considers a “renegade province,” remains the most sensitive issue the two countries face and the one many observers fear could lead to Sino-U.S. conflict. But U.S. relations with Taiwan have also been plagued by what some U.S. officials see as that government’s minimal defense spending and the recurrent independence-leaning actions and rhetoric of its President and other government officials, which U.S. officials have called “unhelpful” to regional stability. On March 11, 2008, the anniversary of a large-scale anti-Chinese uprising in 1959, the political status of Tibet re-emerged as an issue when monks in Lhasa launched a protest against PRC rule. The protests, at times apparently resulting in violent clashes with police, judging from news reports, have spread to several other cities in Tibet and beyond. Beijing’s response has led some Tibetan activists to add their voices to other calls urging a boycott of the Summer Olympics in Beijing in August 2008.

Other concerns about China appear driven by security calculations in Congress and at the Pentagon, where officials question the motivations behind China’s expanding military budget. One congressionally mandated DOD report concluded Beijing is greatly understating its military expenditures and is developing anti-satellite (ASAT) systems — a claim that gained more credence when the PRC used a ballistic missile to destroy one of its own orbiting satellites in January 2007. Bilateral economic and trade issues also are growing matters of concern. U.S. officials and lawmakers particularly criticize China’s massive bilateral trade surplus, its failure to halt piracy of U.S. intellectual property rights (IPR), and its continued constraints on currency valuation.

This report will be updated regularly as events warrant and will track legislative initiatives involving China. For actions and issues in U.S.-China relations considered during the 109th Congress, see CRS Report RL32804, *China-U.S. Relations in the 109th Congress*, by Kerry Dumbaugh.

Contents

Most Recent Developments	1
Background and Overview	1
Introduction	1
Background	2
Current Issues and Developments	3
Beijing Summer Olympic Games 2008	3
Sichuan Earthquake	4
Demonstrations in Tibet	5
Concerns about Product Safety	5
Military and National Security Issues	7
China's Growing Military Power	7
PRC Anti-Satellite Test and Space Activities	7
Military Contacts	9
Economic and Trade Issues	9
Currency Valuation	9
Unfair Trade Subsidies	10
Intellectual Property Rights	11
U.S.-PRC Official Dialogues	11
The Senior Dialogue and Strategic Economic Dialogue	11
Taiwan	13
U.N. Referendum	14
U.S. Taiwan Policy and U.S. Arms Sales	14
China's Growing Global Reach	15
Environmental Issues	16
Domestic Political Issues	17
Social Stability	18
17 th Party Congress, October 15 - 21, 2007	18
Tibet	19
Xinjiang's Ethnic Muslims	21
Internet and Media Restrictions	22
Human Rights	23
Religious Freedom	23
Family Planning Policies	24
Hong Kong Governance	25
U.S. Policy Implications	26
Public Laws	27
Energy Independence and Security Act of 2007 — P.L. 110-140	27
Department of State, Foreign Operations, and Related Programs Appropriations Act, 2008 — P.L. 110-161	27
National Defense Authorization Act for FY2008 — P.L. 110-181 ...	28
Other Pending Legislation	28
Chronology	33
Appendix A. Selected Visits by U.S. and PRC Officials	37

Appendix B. Selected U.S. Government Reporting Requirements	39
---	----

China-U.S. Relations: Current Issues and Implications for U.S. Policy

Most Recent Developments

October 9, 2008 — The PRC announced limits on the chemical melamine of 1 milligram per kilogram in infant formula and 2.5 milligrams per kilogram in liquid milk. Beijing did not reveal if there had previously been a limit.

October 8, 2008 — A federal judge ordered that 17 Uighurs held at Guantanamo Bay be released by the end of the week. The U.S. government had held the men without charge since 2002.

October 7, 2008 — The PRC announced it was cancelling meetings between U.S. and PRC military officials and planned exchanges on disaster relief and humanitarian assistance, as a result of the U.S. announcement on arms sales to Taiwan.

October 3, 2008 — The Defense Security Cooperation Agency (DSCA) notified Congress of the possible Foreign Military Sale to Taiwan of six different types of defense articles and equipment, consistent with the policies of P.L. 96-8, which could total a maximum of approximately \$6.4 billion.

Background and Overview

Introduction

U.S. relations with the People's Republic of China (PRC), remarkably smooth from 2001-2004, have shown signs of becoming somewhat more problematic again since 2005 as some U.S. policymakers appear to be adopting tougher stances on a number of issues. Throughout much of the George W. Bush Administration, U.S.-China relations were smoother than they had been at any time since the Tiananmen Square crackdown in 1989. The two governments resumed regular high-level visits and exchanges of working level officials, resumed military-to-military relations, cooperated on anti-terror initiatives, and worked closely on a multilateral effort to restrain and eliminate North Korea's nuclear weapons activities. U.S. companies continued to invest heavily in China, and some PRC companies began investing in the United States.

Despite this, thorny problems continue to be factors in the relationship, including difficulties over China's intentions toward and U.S. commitments to democratic Taiwan, various disputes over China's failure to protect U.S. intellectual

property rights, the economic advantage China gains from pegging its currency to a basket of international currencies, and growing concerns about the quality and safety of some exported Chinese products. In addition, China's accelerating rise in the world has significant long-term implications for U.S. global power and influence. In pursuit of its economic development agenda, China's growing appetite for energy, raw materials, and other resources has led it to seek an increasing number of economic and energy-related agreements around the world, some of them with key U.S. allies. Some U.S. lawmakers have suggested that U.S. policies should be reassessed in light of the PRC's continued strong economic growth and more assertive international posture.

Background

For much of the 1990s, U.S. congressional interest in the PRC increased almost annually. In the years after the 1989 Tiananmen Square crackdown, Members often felt that they were neither consulted nor listened to by the Executive Branch concerning the appropriate direction for U.S. China policy. Without the strategic imperative that the Soviet Union had once provided for comprehensive U.S.-China relations, individual Members began to raise their own more narrowly focused concerns on China policy, such as efforts on behalf of Taiwan, in favor of human rights, or against forced sterilization and abortion.

During the later Clinton Administration, when U.S. officials were pursuing a "strategic partnership" with China, some Members became increasingly concerned that the U.S. government was not thinking seriously enough about the PRC as a longer-term challenge (at best) or threat (at worst) to U.S. interests. Members were particularly concerned about supporting the democratization and growing political pluralism Taiwan had embraced since abandoning authoritarian rule in the late 1980s. Congress in these years enacted more provisions to accommodate Taiwan's interests, engaged in repeated and protracted efforts to further condition or even withdraw the PRC's most-favored-nation (MFN) trade status, held hearings and considered legislation targeting the PRC's human rights violations, created two commissions to monitor PRC developments, and imposed a host of requirements on the U.S. government to monitor, report on, and restrict certain PRC activities.¹

In late 2001, U.S.-China relations began to experience a sustained period of unusual stability, and Congress as a whole became less vocal and less legislatively active on China-related issues. The reasons for this could not be attributed to any resolution of entrenched bilateral policy differences — such as those long held over human rights or on Taiwan's status — for these differences still exist and are likely to plague the relationship for the foreseeable future. Rather, other factors and policy trends appear to be at work.

- The September 11, 2001 terrorist attacks against the United States, which brought about dramatic changes in global and national priorities, including new agendas within Congress, that took priority

¹ In the United States only, the term "most-favored-nation" (MFN) status has been replaced by the term "normal trading relations" (NTR) status.

over other foreign policy issues, including the PRC. U.S.-China relations continue to be marginalized by Iraq, Iran, and other pressing issues likely to continue through President Bush's tenure.

- The George W. Bush Administration's early willingness to de-emphasize the importance of Sino-U.S. relations in American foreign policy, even while being open to substantively and symbolically meaningful dialogue with China at most senior levels.
- A series of PRC policy preoccupations, including a wholesale transition to a new generation of leaders (beginning in 2001-2003);² SARS, avian flu, and other domestic crises (beginning in 2002); preparation for the 2008 Olympics; and more pro-active PRC foreign policy activities around the world.

This report addresses relevant policy questions in current U.S.-China relations, discusses trends and key legislation in the current Congress and provides a chronology of developments and high-level exchanges. It will be updated as events warrant. Additional details on the issues discussed here are available in other CRS products, noted throughout this report. For background information and legislative action preceding 2007, see CRS Report RL32804, *China-U.S. Relations During the 109th Congress*, by Kerry Dumbaugh. CRS products can be found on the CRS website at [<http://www.crs.gov/>].

Current Issues and Developments

Beijing Summer Olympic Games 2008

From August 8-24, 2008, China hosted the 2008 Summer Olympic Games. The opening ceremony and most of the athletic events were held in Beijing, but six other PRC cities co-hosted Olympic competitions as well, including Qingdao (sailing); Shanghai, Tianjin, Shenyang, and Qinhuaungdao (soccer), and Hong Kong (equestrian events).³ Beijing reportedly spent \$43 billion, more than any other Olympic host city, to prepare for the games.⁴

² At its 16th Party Congress (November 8-14, 2002), the PRC's Communist Party selected a new Party General Secretary (Hu Jintao), named a new 24-member Politburo and a new nine-member Standing Committee, and made substantive changes to the Party constitution. Further changes in government positions were made during the 10th meeting of the National People's Congress in March 2003, and in September 2004. For more on the leadership transition, see CRS Report RL31661, *China's New Leadership Line-up: Implications for U.S. Policy*, by Kerry Dumbaugh.

³ The competition schedule can be found at the official website for the Beijing Olympics: [<http://en.beijing2008.cn/schedule/>].

⁴ Demick, Barbara, "Hiding a host of ills under the red carpet; Beijing goes to lengths beyond any host city to ready for Olympics," *Los Angeles Times*, July 21, 2008, p. A1.

A number of controversies surfaced in the run-up to the 2008 Games. Multiple interest groups opposed to various PRC behaviors saw China's hosting the games as an excellent opportunity to put pressure on leaders in Beijing to reform PRC policies. These groups included: Tibetan activists pushing either for Tibetan independence or for more enlightened Chinese policies in Tibet, actions which may have led to the March 2008 protests in Tibet and China's crackdown there; activists for Darfur seeking to pressure China to withdraw its support for the Sudanese government (Steven Spielberg resigned in February 2008 as artistic advisor for the Beijing Olympics over this issue); and a number of groups, such as Reporters without Borders and Human Rights Watch, arguing that China had not kept its promises to the International Olympic Committee to provide journalistic freedom to reporters and a cleaner environment for the athletes during the games.⁵ Despite these and other issues, periodic calls for a boycott of either the Beijing Olympics opening ceremony or the entire summer games did not lead countries to pull their teams from the competitions nor world leaders, including President Bush, to snub the opening ceremony.

PRC leaders placed a high priority on security at the games. Among other steps, China fielded specially trained anti-terrorist teams (Snow Leopard and Blue Sword Commando Units); stepped up surveillance and searches around Olympic venues and in more than a dozen airports around China, including in Tibet and Xinjiang; and deployed anti-aircraft missiles around the National Stadium (dubbed "the Bird's Nest") holding the opening ceremony. Chinese officials also said that they will designate three public parks close to Olympic venues in Beijing — Zizhuyuan Park, Ritan Park, and Shijie Park — where public protests could be held. By the end of the Games, no public protests were reported to have been approved.

Sichuan Earthquake

The earthquake in Sichuan Province on May 12, measured at 7.9 on the Richter Scale, was estimated to have killed 51,000 people, with hundreds of thousands more injured and 5 million estimated to be homeless. After initial reluctance, the PRC government in Beijing allowed extraordinarily broad journalistic coverage of the quake zone and for the first time asked for and accepted foreign assistance. The tragedy brought world sympathy to China and a positive assessment of the government's swift and unusually open response, muting recent criticism of the government's crackdown in Tibet in March 2008. Many children died in collapsed schools, a special hardship in a country that enforces a "one-child" policy. Some speculate that public reaction to the quake may force the government to conduct widespread investigations of shoddy school construction practices and may increase pressure on Beijing to reassess the country's population control policies. Along with other countries, the United States has provided quake assistance:

- **U.S. Government:** \$1.3 million as of May 20, including \$500,000 in cash through the Red American Cross; and \$815,000 in search and rescue equipment, food, tents, and other supplies,

⁵ "China: media watchdog meets with IOC chief on Olympic freedom issues," *BBC Monitoring Media*, July 16, 2008.

along with a nine-person U.S. Agency for International Development (USAID) team to train local rescue workers on use of the equipment. The U.S. government also provided China with satellite images of the areas affected by the earthquake.

- **Private U.S. firms:** \$30 million in contributions by May 20, according to the U.S.-China Business Council.

Demonstrations in Tibet

March 11, 2008, marked the 49th anniversary of an anti-Chinese uprising in Tibet in 1959 and the beginning of a series of increasing confrontations involving Tibetans and Chinese officials. The day before the anniversary date, a group of Tibetan activists had set off from India to begin a march to Tibet on foot, reportedly as a protest against China's governance of Tibet. On March 11, 2008, Tibetan Buddhist monks in Lhasa began protests against Chinese rule, and the Dalai Lama commemorated the anniversary date from exile with a speech saying that the culture, language, and customs of Tibet were fading away under PRC rule. A protest launched by Buddhist monks in Lhasa on March 11, 2008, expanded to other places in Tibet over the ensuing days, escalating to clashes between Tibetan protestors and Chinese riot police. Conflicting reports have emerged about the extent of violence by either protestors or security forces. The protests and resulting Chinese crackdown helped add fuel to the quietly simmering campaign to boycott the Summer Olympic Games in Beijing in August 2008.

Concerns about Product Safety

Since early 2007, China has been plagued with reports of tainted and unsafe food and consumer products. In September 2008, concerns began to mount about infant formula and milk powder in China tainted with melamine, an industrial chemical that appears to make products more protein-rich. Amid a widening scandal and an extensive public outcry after thousands of babies sickened and some died, the PRC government took increasingly assertive measures to close down suspect producers and make arrests. On October 9, 2008, Beijing announced it was imposing limits on melamine of 1 milligram per kilogram in infant formula and 2.5 milligrams per kilogram in liquid milk. Beijing did not reveal if there had previously been a limit, or what that limit may have been.

Initial questions about the safety of imported products from China surfaced in March and April 2007, when an investigation by the U.S. Food and Drug Administration (FDA) linked tainted exports of pet food with wheat gluten from China to reports of pet deaths from kidney failure in the United States. The Canadian company that had imported the product, Menu Foods, initiated a massive recall of its products on March 16, 2007, and the recall effort later expanded to more brands of pet foods and other pet food manufacturers.⁶ On April 3, 2007, the FDA began

⁶ On April 12, 2007, the Director of the FDA Center for Veterinary Medicine, Stephen F. Sundlof, and other witnesses testified before the Senate Appropriations Committee's Subcommittee on Agriculture, Rural Development, and Related Agencies on the scope of (continued...)

halting imports of wheat gluten from a PRC company, the Xuzhou Anying Biologic Technology Development Co. Ltd., saying it had tested positive for the tainted wheat gluten.⁷ Although the PRC government initially denied its pet food products were tainted, it later reversed that position, admitting on April 26, 2007, that PRC companies had exported melamine-laced wheat gluten to the United States.⁸

The pet food contamination was the beginning of a series of well publicized recalls of PRC imported products including fish, tires, toothpaste, and toys. Two of these — Menu Foods pet food recall and Mattel’s voluntary recall of over 18 million toys, announced on August 14, 2007 — have been reported on most widely.⁹ But by August 17, 2007, the U.S. Consumer Product Safety Commission (CPSC) had issued nearly 150 recall notices in 2007 for Chinese-manufactured products, including electric throws; ceramic heaters; folding recliner chairs; children’s jewelry; kayak paddle floats; baby cribs; candles; oil-filled electric heaters; boom boxes; bicycles; clothing; gas lighters; remote controls; lamps; curling irons; and hair dryers.¹⁰

Bilateral efforts on the quality of Chinese exports to the United States have been underway for several years. In 2004, the CPSC and China’s General Administration of Quality Supervision, Inspection, and Quarantine (AQSIQ) signed a memorandum of understanding (MOU) to cooperate on increasing the public safety of specific consumer products, including clothing, toys, cigarette and multipurpose lighters, home appliances, hazardous chemical consumer products, and bicycle helmets. The two agencies held a Consumer Product Safety Summit (CPSS) in Beijing in 2005, and a second CPSS meeting in Washington on September 11, 2007.

Leaders in Beijing appear concerned about the implications that recent recalls may have for international wariness about PRC products. Since late April 2007, China has announced a ban on melamine in food products, initiated nation-wide inspections of wheat gluten, and (on May 11, 2007) arrested an official from one of the companies for falsifying the labeling on exported products to evade inspection.¹¹ On July 10, 2007, Beijing announced it had executed the former official in charge of the State Food and Drug Administration for accepting bribes to approve tainted or

⁶ (...continued)
the recall and the path of the FDA’s investigation.

⁷ Later, Binzhou Futian Biology Technology, another PRC company, was also implicated.

⁸ See CRS Report RS22713, *Health and Safety Concerns Over U.S. Imports of Chinese Products: An Overview*, by Wayne Morrison.

⁹ Mattel’s recall involved toys containing lead paint and products containing small, powerful magnets. For details of Mattel’s recalled products, see [<http://www.mattel.com/safety/us/>].

¹⁰ Based on a review of recalls listed on the USCPSC website from January 1 — August 17, 2007, products manufactured in China were the most frequently subjects of recall notices, at 147; products manufactured in the United States were the second most frequently cited, at 41.

¹¹ A report citing China’s General Administration of Quality Supervision, Inspection, and Quarantine. Lee, Don, and Goldman, Abigail, “Plant linked to pet deaths had history of polluting,” *Los Angeles Times*, May 9, 2007, p. C-1.

fraudulent products. On August 15, 2007, officials at the Chinese Embassy in Washington, DC, held a rare news conference, defending the overall quality of Chinese products and stating that China would be enhancing significantly its inspection regime of toys and food being exported to the United States. On August 17, 2007, Beijing took two further actions: the PRC State Council Information Office released the government's first report on food quality and safety regimes, "The Quality and Safety of Food in China"; and Beijing appointed Vice Premier Wu Yi to head a new Cabinet-level panel charged with ensuring product quality and food safety.¹²

Military and National Security Issues

For some years, U.S. officials in the executive branch and in Congress have continued to voice both private and public concerns about China's expanding military budget and issues potentially involving U.S. national security. U.S. security concerns include the ultimate focus of China's military build-up; lack of PRC military transparency; recurring instances of apparent PRC attempts to gain U.S. military secrets; evidence of improving PRC military and technological prowess; and PRC military and technological assistance to rogue states and other international bad actors.

China's Growing Military Power. In its annual, congressionally mandated report on China's Military Power (most recently released in May 2007) the Pentagon concluded that China is greatly improving its military, including the number and capabilities of its nuclear forces. U.S. military planners and other American military specialists maintain that PRC improvements appear largely focused on a Taiwan contingency and on strategies to "deny access" to the military forces of a third party — most probably the United States — in the event of a conflict over Taiwan. The report maintains that this build-up poses a long-term threat to Taiwan and ultimately to the U.S. military presence in Asia.

In March 2007, after Beijing announced that its military budget would increase during the year by nearly 18%, U.S. officials called China's military build-up a continuing "source of concern and interest" for the world, and urged PRC leaders to address these concerns by adopting greater transparency in military matters.¹³ U.S. military planners remain concerned that at least some and perhaps much of China's military build-up is being driven by Beijing's preparations to enforce its sovereignty claims against the island of Taiwan. (Appendix II of this paper contains a list, legislative authority, and text links for selected mandated U.S. government reports on China, including the report on China's Military Power.)

PRC Anti-Satellite Test and Space Activities. On January 11, 2007, the PRC carried out its first successful anti-satellite (ASAT) test by destroying one of its moribund orbiting weather satellites with a ballistic missile fired from the ground. Previously, only the United States and the Soviet Union had conducted successful

¹² The full text of China's new white paper on food quality and safety can be found at [http://news.xinhuanet.com/english/2007-08/17/content_6553424.htm].

¹³ Statement by State Department spokesman Sean McCormack, March 8, 2007.

ASAT tests — tests both countries reportedly halted more than 20 years ago because of resulting space debris that could endanger other orbiting satellites. U.S. officials reportedly received no advance notice from Beijing, nor did Chinese officials publicly confirm the ASAT test until January 24, 2006, 13 days after the event and almost a week after the U.S. Government had publicly revealed the PRC test on January 18, 2007.

The January PRC ASAT test and the lack of advance notification to U.S. officials by Beijing has raised a number of concerns for U.S. policy. Chief among these are questions about the new potential vulnerability of U.S. satellites — crucial for both U.S. military operations and a wide range of civilian communications applications — and the credibility of PRC assertions that it is committed to the peaceful use of space.

In addition, officials from the United States and other countries have criticized China for either ignoring or failing to realize the extent of the test's contributions to the growing problem of space debris. According to space science experts, the extent of space debris now orbiting the earth, which is already calculated at about 10,000 detectable items, poses an increasing hazard to hundreds of the world's operational satellites, any of which could be destroyed upon collision with a piece of space "junk."¹⁴ Beijing, which hosted the annual meeting of the Inter-Agency Space Debris Coordination Committee from April 23-26, 2007, itself became a significant contributor to the space debris problem with its January 2007 ASAT test. According to a State Department spokesman, the United States is reevaluating its nascent civil space cooperation with China (initiated during the meeting of Presidents George Bush and Hu Jintao in April 2006) in light of the January ASAT test.¹⁵

China's ASAT test is illustrative of the country's ambitious and growing space program. China is now only the third country, after Russia and the United States, to send manned flights into space — the first on October 15, 2003 (Shenzhou 5), with a single astronaut orbiting the earth, and the second on October 11, 2005 (Shenzhou 6), orbiting two astronauts.¹⁶ According to press reports from Beijing, China plans to launch its third manned flight with three astronauts (Shenzhou 7) in September 2008 after the 2008 Olympic Games. This mission reportedly will include a planned space walk. Meanwhile, China's space plans include a three-stage lunar program, to include landing a rover on the moon by 2012 and launching a manned lunar mission by 2020. China completed the first of the three stages on October 24, 2007, launching its first unmanned lunar probe, the Chang'e 1 orbiter, aboard a Long March 3A rocket.

Military Contacts. Once one of the stronger components of the relationship, U.S.-China military relations are only now beginning to recover after they were

¹⁴ Broad, William J., "Orbiting junk, once a nuisance, is now a threat," *New York Times*, February 6, 2007, p. 1.

¹⁵ Author's conversation with a NASA representative in 2007; see also "U.S. reviewing space cooperation with China after anti-satellite test," *Agence France Presse*, February 3, 2007.

¹⁶ China's manned space program was begun in 1992.

suspended following the 1989 Tiananmen Square crackdown. Both countries cautiously resumed military contacts during the 108th Congress, although efforts to reenergize military ties met with repeated setbacks, with U.S. Secretary of Defense Donald Rumsfeld making his first official visit to China as Secretary of Defense only in October 2005.¹⁷

Under U.S. Secretary of Defense Robert Gates, U.S.-China military ties appear to have been more active. On November 4, 2007, Secretary Gates arrived in Beijing for a three-day visit, his first official visit to China as Secretary of Defense. He met with his counterpart, Defense Secretary Cao Cangchuan, with Central Military Commission Vice-Chairmen Guo Boxiong and Xu Caihou, and with Vice Foreign Minister Dai Bingguo. Both sides announced they had reached agreement on setting up an official military hotline; strengthening dialogue and exchanges, particularly between young and middle-aged military officers; and holding exercises on humanitarian rescue and disaster relief. Admiral Timothy J. Keating, commander of U.S. forces in the Pacific, also left for a visit to Beijing on January 12, 2008. (See appendix at the end of this report for a list of recent U.S.-China official visits.) However, on October 7, 2008, Beijing announced it was suspending military contacts with the United States in protest of the U.S. decision on October 3 to sell \$6.4 billion in defense equipment and services to Taiwan.

Economic and Trade Issues¹⁸

Economic and trade issues are a growing source of contention in U.S.-China relations in 2007. The PRC is now the second-largest U.S. trading partner, with total U.S.-China trade in 2006 at \$343 billion. Ongoing issues in U.S.-China economic relations include the substantial and growing U.S. trade deficit with China (an estimated \$232 billion in 2006), repeated PRC inability to protect U.S. intellectual property rights, and the PRC's continuing restrictive trade practices, such as its unwillingness to date to float its currency. (Issues involving allegations about tainted or faulty PRC exports to the United States are dealt with earlier in this report.) In addition, some U.S. policymakers have focused attention in recent years on efforts by PRC companies to buy American assets.

Currency Valuation. On June 13, 2007, the U.S. Treasury Department released a mandated, semi-annual report to Congress on international exchange rates in which it concluded that China “did not meet the technical requirements for designation” [as a currency manipulator] under U.S. law, but declaring that the United States “forcefully” raises the currency valuation issue with PRC leaders at every opportunity.¹⁹ The report also concluded that China's economy was “severely” unbalanced — overly dependent on exports and with weak consumer spending and

¹⁷ See CRS Report RL32496, *U.S.-China Military Contacts: Issues for Congress*, by Shirley Kan.

¹⁸ See CRS Report RL33536, *China-U.S. Trade Issues*, by Wayne Morrison, for further details.

¹⁹ For the full text of the Treasury Department report, see [http://www.treasury.gov/offices/international-affairs/economic-exchange-rates/pdf/2007_FXReport.pdf].

at home. The Treasury report prompted renewed calls and legislation in Congress for firmer U.S. action to mitigate the effects of China's currency restrictions.

The U.S. concern about the PRC's decision to keep the value of its currency low with respect to the dollar, and indirectly with the yen and euro, has been building for several years. Until 2005, the PRC pegged its currency, the renminbi (RMB), to the U.S. dollar at a rate of about 8.3 RMB to the dollar — a valuation that many U.S. policymakers concluded kept the PRC's currency artificially undervalued, making PRC exports artificially cheap and making it harder for U.S. producers to compete. U.S. critics of the PRC's currency peg charged that the PRC unfairly manipulated its currency, and they have urged Beijing either to raise the RMB's value or to make it freely convertible subject to market forces. On July 1, 2005, the PRC changed this valuation method, instead announcing it would peg the RMB to a basket of currencies.

The resulting small appreciations in the RMB from this action have not been sufficient to assuage ongoing U.S. congressional concerns.²⁰ Since August 1, 2007, both the Senate Finance Committee and the Senate Banking, Housing, and Urban Affairs Committee have reported legislation addressing currency exchange rate issues.²¹

Unfair Trade Subsidies. On March 20, 2007, the U.S. Department of Commerce announced a preliminary decision to apply countervailing duties (an anti-subsidy remedy) to two PRC companies exporting “coated free sheet” (glossy) paper to the United States. The announcement broke with a 23-year U.S. policy, adopted in 1984, of not applying U.S. countervailing duty laws to non-market economies. Citing a 177% increase in imports of PRC glossy paper products from 2005-2006, Secretary of Commerce Carlos M. Gutierrez said that the PRC economy had evolved significantly in the last two decades and that U.S. tools to address unfair competition needed to evolve in response.

The move signals a new U.S. willingness to be assertive in challenging PRC trade policies and suggests that other American industries affected by the PRC's exports, such as textile, steel, and plastics, may soon be seeking similar remedies. Beijing's sharp criticism of the U.S. move hints at potential trade retaliation and has possible negative implications for the ongoing U.S.-China “Senior Dialogue” being chaired by Treasury Secretary Henry Paulson.

Intellectual Property Rights. China's inability to live up to its World Trade Organization (WTO) commitments to protect intellectual property rights (IPR) has become one of the most important issues in U.S.-China bilateral trade. According to calculations from U.S. industry sources, IPR piracy has cost U.S. firms \$2.5 billion in lost sales, and the IPR piracy rate in China for U.S. products is estimated at around

²⁰ For more information, see CRS Report RS21625, *China's Currency: A Summary of the Economic Issues*, by Wayne M. Morrison and Marc Labonte.

²¹ The Senate Committee on Banking, Housing, and Urban Affairs reported S. 1677, the Currency Reform and Financial Markets Access Act of 2007; the Senate Finance Committee reported S. 1607, the Currency Exchange Rate Oversight Reform Act of 2007.

90%.²² U.S. officials routinely have urged Beijing to crack down on IPR piracy, and a series of U.S. officials visiting China have stressed that China needs to do better at IPR protection.

U.S.-PRC Official Dialogues

The Senior Dialogue and Strategic Economic Dialogue. In recent years, two new high-level U.S.-China dialogues have been formed: the U.S.-China Senior Dialogue under the auspices of the State Department, and the U.S.-China Strategic Economic Dialogue under the auspices of the Treasury Department. Each of these is intended to meet twice annually so that Cabinet-level officials in both parties can hold regular talks on key issues. In Beijing in August 2005, Deputy Secretary of State Robert Zoellick and PRC Vice Foreign Minister Dai Bingguo presided over the initial round of the Senior Dialogue, which was first suggested by PRC President Hu Jintao in 2004 during a meeting with President Bush. On January 17, 2008, U.S. Deputy Secretary of State John Negroponte and PRC Vice Foreign Minister Dai Bingguo presided jointly over the fifth round of the Strategic Dialogue in Beijing. Negroponte reportedly reiterated the U.S. position on Taiwan's U.N. referendum. For the first time, a PRC military official, General Ding Jingong, attended the dialogue. Ding is deputy head of the Foreign Affairs Office of the Ministry of Defense.

On September 20, 2006, during the first of his trips to China as Treasury Secretary, Henry Paulson announced that he would chair a new senior-level mechanism for bilateral dialogue agreed to by Presidents Bush and Hu, the U.S.-China Strategic Economic Dialogue (SED), which like the Senior Dialogue would be held twice annually.²³ According to a background paper from the SED, the purpose of the SED is to advance U.S.-China economic relations and encourage China's continued economic transition to that of a responsible global player.²⁴

In the first SED meeting, held December 14-15, 2006, six U.S. Cabinet officers and other senior U.S. officials visited Beijing to promote increased access for U.S. exports and better U.S.-China trade ties.²⁵ The second SED round, held in Washington on May 22-23, 2007, was attended by 17 U.S. cabinet officials and agency heads and by 15 PRC ministers and representatives from 21 PRC government

²² International Intellectual Property Alliance, *2004 Special 301 Report: People's Republic of China*, February 2005, cited in CRS Report RL33536, *China-U.S. Trade Issues*, by Wayne Morrison.

²³ Treasury Secretary Henry M. Paulson press briefing in Beijing, September 20, 2006. Joint statement at [<http://www.treas.gov/press/releases/hp105.htm>].

²⁴ Strategic Economic Dialogue (SED) Background, October 30, 2007.

²⁵ Participants included U.S. Treasury Secretary Paulson, Secretary of Commerce Carlos M. Gutierrez, Labor Secretary Elaine Chao, Health and Human Services Secretary Mike Leavitt, Energy Secretary Sam Bodman, U.S. Trade Representative Susan Schwab, EPA Administrator Stephen Johnson, and Federal Reserve Chairman Ben S. Bernanke.

ministries and agencies.²⁶ According to the U.S. Treasury Department, the second meeting resulted in agreements to provide greater access in China to U.S. goods and services, including in the financial sector; cooperate further in promoting energy security and environmental protection; and strengthen the PRC's enforcement of intellectual property rights laws. The third SED meeting, held for three days in China beginning December 11, 2007, produced new U.S.-China agreements on food and product safety, energy, and the environment, but made no progress on currency valuation or other economic issues of primary concern to Congress. In a fourth round, which concluded in Annapolis, Maryland, on June 18, 2008, the two sides agreed to begin negotiations on a bilateral investment protection accord and signed a 10-year energy and environment cooperation agreement.

The Senior Dialogue and the SED join a host of other regularly occurring official U.S.-China dialogues that hold regular meetings, generally on either an annual or biannual basis. These include the following:

- **The Joint Commission on Commerce and Trade (JCCT)**, initiated in 1983 and elevated in 2003 to a senior level. Participating agencies are the U.S. Department of Commerce, the U.S. Trade Representative, and the PRC Vice Premier responsible for trade. The 18th session was held in Beijing in December 2007.
- **The U.S.-China Joint Economic Committee (JEC)**, initiated in 1979. Participating agencies are the U.S. Department of the Treasury and the PRC Ministry of Finance.
- **The U.S.-China Joint Commission on Science and Technology (JCM)**, initiated in 1979. Participating agencies are the Office of Science and Technology Policy (White House), the State Department's Office of Science and Technology Cooperation, and the PRC Ministry of Science and Technology.
- **The U.S.-China Economic Development and Reform Dialogue (State-NDRC Dialogue)**, initiated in 2003. Participating agencies are the U.S. Department of State and the PRC National Development and Reform Commission.
- **The U.S.-China Energy Policy Dialogue (EPD)**, negotiated in 2004 and initiated in 2005. Participating agencies are the U.S. Department of Energy and China's National Development and Reform Commission.
- **The Global Issues Forum (GIF)**, negotiated in 2004 and initiated in 2005. Participating agencies include the U.S. Department of State's Bureau for Global Affairs and the PRC Ministry of Foreign Affairs.
- **The U.S.-China Healthcare Forum (HCF)**, initiated in July 2005. Participating agencies are the U.S. Department of Commerce and the Department of Health and Human Services; and the PRC Ministry of Health and Ministry of Commerce.

²⁶ U.S. Department of the Treasury Fact Sheet, "Second meeting of the U.S.-China Strategic Dialogue," May 23, 2007.

- **The Asia-Pacific Partnership on Clean Development and Climate** (AP6), announced in 2005 and initiated in 2006. The forum brings together China, the United States, Australia, India, Japan, and Korea.

Notably absent from the regularized U.S.-China dialogue process is an official U.S.-China military or defense dialogue at a comparable level of intensity or public scrutiny. The mechanism that does exist, the Defense Consultative Talks (DCT) — intermittent and plagued with recurring setbacks — has been of dubious value for a number of reasons.²⁷ Admiral William Fallon, attempting to revitalize U.S.-China military ties as Commander of the U.S. Pacific Command, was quoted in 2006 as saying that there had been so much decline in U.S.-China military ties in recent years that he was “starting from virtually zero” in trying to rebuild contacts.²⁸ As noted earlier in this report, the tempo of senior level U.S.-China military contacts appears to be running higher under U.S. Secretary of Defense Robert Gates, with at least 6 senior U.S. military officials having made the trip to Beijing since March 2007. (See Appendix I for senior U.S.-China official visits.)

Taiwan

Taiwan remains the most sensitive and complex issue that U.S. policymakers face in bilateral Sino-U.S. relations.²⁹ It is the issue that many observers most fear could lead to potential U.S.-China conflict. Beijing continues to lay sovereign claim to Taiwan and vows that one day Taiwan will be reunified with China either peacefully or by force. Beijing has long maintained that it has the option to use force should Taiwan declare independence from China. Chinese leaders are supporting these long-standing claims with more than 900 missiles deployed opposite Taiwan’s coast and with a program of military modernization and training that defense specialists believe is based on a “Taiwan scenario.”

Until May 2008, China watchers had been especially concerned with potential cross-strait conflict because of Taiwan’s unpredictable political environment, where the balance of political power had teetered precipitously between two contending political party coalitions of nearly equal strength. One of these — the “Pan-Green” coalition led by the Democratic Progressive Party (DPP), controlled the presidency for eight years and is closely associated with advocates of Taiwan independence. The other, “Pan-Blue” party coalition, led by the remnants of the once-dominant Nationalist Party (KMT), has advocated greater policy caution and more engagement with the PRC.

²⁷ See CRS Report RL32496, *U.S.-China Military Contacts: Issues for Congress*, by Shirley Kan.

²⁸ Scott Tyson, Ann, “Admiral tries to revive Chinese ties,” *Washington Post*, September 23, 2006, p. A14.

²⁹ For an analysis of current problems and challenges for U.S. policy toward Taiwan, see CRS Report RL33684, *Underlying Strains in Taiwan-U.S. Political Relations*, by Kerry Dumbaugh.

But fears of cross-strait contention were eased on March 22, 2008 when, in a large turnout, voters in Taiwan elected as president Mr. Ma Ying-jeou of the KMT Party. Mr. Ma out-pollled rival DPP candidate Frank Hsieh by a 2.2 million vote margin of 58% to 42%. Coming on the heels of the KMT's sweeping victory in January's legislative elections, the presidential election result appears to be a further repudiation of DPP leader and Taiwan President Chen Shui-bian's eight-year record of governance. President-elect Ma, who began his tenure on May 20, 2008, has promised to improve Taiwan's economic performance, to improve Taiwan's damaged relations with the People's Republic of China (PRC), and to address any annoyances in Taiwan-U.S. relations arising from the Chen Administration.

U.N. Referendum. Adding to the DPP's March 2008 defeat was its failure to pass a controversial referendum, a high priority for President Chen, asking whether Taiwan should apply for U.N. membership under the name "Taiwan." Although 94% of those voting for the DPP referendum voted in favor, this referendum as well as a KMT alternative each failed to reach the threshold of 50% of the electorate turnout that was required for the measures to be considered for passage. Beijing had considered Chen's referendum in particular to be tantamount to a public poll on independence — a prospect the PRC has threatened to prevent by force if necessary. The referendum also had been problematic for the United States, which had called Chen's proposal "provocative."

Beijing argues that since Taiwan is not a state but a part of China it cannot be separately admitted to U.N. entities for which sovereign status is a pre-requisite for membership. Always opposed to Taiwan's U.N. bids, Beijing appears to view the 2007 applications and the referendum being discussed in Taiwan for 2008 as especially threatening. A spokesman from China's Taiwan Affairs Office said on September 16, 2007, that Beijing had "made necessary preparations" to "deal with serious conditions" as a result of Taiwan's UN membership bid. No details were provided on what "necessary preparations" involved.

For its part, Taiwan has maintained that its "observer status" in U.N. bodies such as WHO would be an apolitical solution since other non-sovereign entities, like the Holy See and the Palestine Liberation Organization, have been given such status. In 2004, the 108th Congress enacted legislation (P.L. 108-28) requiring the Secretary of State to seek Taiwan's observer status in WHO at every annual WHA meeting.³⁰

U.S. Taiwan Policy and U.S. Arms Sales. On October 3, 2008, the U.S. government notified Congress of its intention to sell a package of defense articles and services, worth as much as \$6.4 billion, to Taiwan. The announcement marked the end of a period where no arms sales were made — what some suggested was a U.S. arms sales "freeze" to Taiwan prior to the 2008 Olympic Games (as Admiral Timothy Keating appeared to confirm in a briefing on July 16, 2008).³¹ Many U.S. policymakers in recent years had grown frustrated with Taiwan's falling military expenditures and its perceived decline in defense readiness. Political disagreements

³⁰ The bill, S. 2092, was enacted as P.L. 108-235.

³¹ Admiral Timothy Keating, "A Combatant Commander's Perspective on the Asia-Pacific," The Heritage Foundation, July 16, 2008.

in Taiwan also kept the government from purchasing much of the weaponry President Bush approved for sale in 2001. Until 2007, these disagreements stalled a special arms acquisition budget that the government submitted to Taiwan's legislature, originally for \$18 billion, then slashed to \$15 billion and finally to \$6.3 billion in an effort to attract legislative support. Other U.S. officials also appeared frustrated with delays over the special arms budget and raised questions about future U.S. defense commitments to Taiwan if the delays continued.³²

Concerns about Taiwan's defense spending eased throughout 2007. On June 15, 2007, Taiwan's legislature passed an annual defense budget which included funds for portions of the 2001 U.S. weapons package, including funds for P3-C anti-submarine warfare aircraft. The Bush Administration notified Congress on September 12, 2007 of the proposed sale to Taiwan of 12 excess P3-C planes,³³ on November 20, 2007, the *Federal Register* published the announcement of another proposed arms sale to Taiwan for upgrade and refurbishment of PATRIOT Advanced Capability-3 (PAC-3) Guided Missiles.³⁴ In December 2007, the legislature passed a 2008 defense budget of \$10.5 billion, which officials said was a 12% increase over the 2007 budget. The new budget included an allocation for three sets of U.S. Patriot III missiles originally approved for sale by President Bush in 2001, as well as \$61.5 million for a feasibility study for the purchase of U.S.-made diesel submarines.

China's Growing Global Reach

China's robust international engagement since 2000 has caught many by surprise and has prompted growing American debate over the PRC's motivations and objectives. The fact that much of this international engagement has expanded while the United States has been preoccupied with its military involvement in Iraq and Afghanistan also is causing a growing degree of American introspection. Part of the debate includes an increasing focus on the implications that China's growing international engagement could have for its "soft power" projection around the world, and consequently what this means for U.S. economic and strategic interests.

Experience shows that abrupt, unexplained shifts in policy still occur with a fair degree of regularity in the PRC system. Still, some fundamental objectives appear to be motivating Beijing's foreign policy outreach. These include: an imperative to promote and enhance China's economic development, particularly its voracious need

³² Speaking in San Diego on September 20, 2005, Edward Ross, a senior U.S. Pentagon official with the Defense Security Cooperation Agency, said it is reasonable to question U.S. defense commitments to Taiwan "if Taiwan is not willing to properly invest in its own self-defense." *Xinhua Financial Network*, September 21, 2005, English. See also CRS Report RL30957, *Taiwan: Major U.S. Arms Sales Since 1990*, by Shirley Kan.

³³ On the same day, the Administration also notified Congress of the proposed sale to Taiwan of SM-2 Block IIIA STANDARD missiles.

³⁴ DOD notice of a proposed Letter of Offer for an arms sale to the Taipei Economic and Cultural Representative Office (Taiwan) for upgrade and refurbishment of PATRIOT Advanced Capability-3 (PAC-3) Guided Missiles. [Transmittal No. 08-10, pursuant to section 36(b)(1) of the Arms Export Control Act.] *Federal Register*, November 20, 2007, p. 65306.

for energy resources and raw materials to sustain its double-digit annual growth; an effort to separate the island of Taiwan, over which the PRC claims sovereignty, from its 23 remaining official relationships; and a desire to increase China's international stature and compete more successfully with U.S. supremacy. To achieve these ends, China in recent years has crafted multiple bilateral agreements and partnerships, joined and become more active in existing multilateral organizations, and founded new multilateral institutions that tend to exclude the United States.

China's foreign policy approach has several competitive advantages over the United States. The unrestricted nature of Beijing's overseas loans and investments is attractive to foreign governments wanting solutions to their development problems that are swifter, more efficient, and less intrusive than western lenders can offer. In addition, Beijing's large state-owned companies, with deep pockets and no shareholders to answer to, can afford short-term losses in pursuit of longer-term, more strategic gains. But China's approach also has structural limitations in areas where the United States is strong. Beijing's foreign development policy operates from a much narrower base, with China's "win-win" approach tackling easy issues first and postponing difficult issues, perhaps indefinitely. Acquiring and maintaining an international presence also brings certain complications that are new to the PRC, including multiple opportunities for international misunderstanding, resentment, and cultural backlash. Finally, unlike the United States, China lacks the advantage of a substantial private-sector investment presence overseas. Still, it is clear that China increasingly is competing more directly with the United States both economically and politically in the international arena.

Environmental Issues

China's economic development and need for greater energy resources also is having a rapidly increasing impact on the environment, both within China and for its regional and global neighbors. Although China alone has been the source of 40% of the world's oil demand growth since 2000,³⁵ its continued heavy dependence on soft coal in recent years has made it second only to the United States as the largest contributor to global carbon-dioxide (CO₂) emissions, with *Reuters* reporting on June 20, 2007, that China had surpassed the United States in CO₂ emissions.

According to the U.S. Department of Energy, carbon emissions related to China's energy use more than doubled between 1980 and 2003, an increase that has had a corresponding impact on air quality, agriculture, human health, and climate change. PRC leaders have recognized that this trend is not sustainable and have undertaken efforts to address environmental quality, including establishment in 1998 of the State Environmental Protection Administration, adoption of a series of environmental laws and regulations, and mandatory conversion of many government vehicles to non-polluting liquified petroleum and natural gas.³⁶ Despite this, PRC

³⁵ CRS Report RL32466, *Rising Energy Competition and Energy Security in Northeast Asia: Issues for U.S. Policy*, by Emma Chanlett-Avery.

³⁶ "China: Environmental Issues," in *Country Analysis Briefs*, Energy Information Administration, U.S. Department of Energy, published in July 2003. [<http://www.eia.doe> (continued...)]

efforts to date have been unable to keep up with the extensive and worsening pollution from China's growing economic development.

Beijing's push to meet more of its development needs through the cleaner technology of hydro-power has exacerbated other long-term environmental problems in China. To generate electric power, the government has launched massive dam construction projects, continuing a phenomenon that occurred throughout centuries of Chinese history to tame recurring floods.³⁷ Projects such as the Three Gorges Dam, now being built on the Yangtze River, have been criticized heavily by environmental scientists who blame these and other such constructions for significantly contributing to the country's worsening desertification and flood damage woes. Moreover, since some of the region's most significant rivers originate in the mountains of Tibet, China's hydro-power development programs are increasingly affecting its neighbors. China began multiple dam construction on the upper Mekong River in Yunnan Province with little thought to the resulting impact on Burma, Thailand, Laos, Cambodia, and Vietnam, the dams' downstream neighbors. Other important regional rivers originating in Tibet include the Brahmaputra (India and Bangladesh); Irrawaddy (Burma); the Indus (Pakistan); and the Salween (Burma and Thailand).

The United States and China engage in energy and environment-related dialogue through the U.S.-China SED (Strategic Economic Dialogue). As an outgrowth of that dialogue, on December 15, 2006, both countries announced that China would become the third country to join the United States in the FutureGen International Partnership, a collaborative effort to reduce carbon emissions. The two countries also signed an Energy Efficiency and Renewable Energy Protocol, an effort to promote clean, renewable energy technology. The third SED that ended on December 13, 2007, produced an agreement to establish a working group to explore cooperation in energy and environmental fields.

Domestic Political Issues

Despite China's rapid economic advances and its expanded international influence, its internal political and institutional development have not kept comparable pace. Increasing social and economic inequities have hobbled the growth of civil society and have led to growing strains in China's political and societal fabric — between the central government in Beijing and the provincial and municipal governments in the interior; between the socialist left and the increasingly capitalist right; between those arguing for economic growth at all costs and those advocating more sustainable and equitable development; and between the few newly wealthy who have thrived under economic liberalism and the many desperately poor who have not. Leaders in Beijing are thought to be deeply concerned about the political and social implications of these internal strains and deficiencies, and increasing

³⁶ (...continued)
[.gov/emeu/cabs/China/Environment.html](http://www.state.gov/emeu/cabs/China/Environment.html)]

³⁷ According to Jasper Becker in a series of environmental articles in the *Asia Times*, China is home to 22,104 dams, compared to 6,390 in the United States and 4,000 in India. Becker, Jasper, "Peasants bear the brunt of China's energy plans," *Asia Times Online*, 2003.

debate on and maneuvering around these issues is likely to continue affecting the political environment in the wake of a key five-year Communist Party Congress held in Beijing in October 2007.

Social Stability. The 2008 Sichuan earthquake has provided another potential opportunity for public dissatisfaction with the PRC government — likely to focus on the issue of shoddy construction that led to more destruction and death than might have occurred with sturdier buildings. The far-reaching economic changes the PRC continues to undergo have led to increasing disgruntlement among a number of social groups.³⁸ Peasants and farmers in rapidly developing parts of China have labored under heavy tax burdens and fallen farther behind their urban contemporaries in income. Some have had their farmland confiscated by local government and Party officials. Officials then sell the confiscated land for development, often reportedly offering little or no compensation to the peasants from which the land was seized, resulting in sometimes sizable protests. One widely publicized case occurred on December 6, 2005, in the southern Chinese city of Dongzhou (Shanwei), when paramilitary forces opened fire on villagers demonstrating against the confiscation of their land for the construction of a new power plant, killing an unknown number of villagers.

In an effort to address rising rural complaints, the government early in 2005 proposed a new measure, the “2005 Number 1 Document,” to reduce taxes on rural peasants, increase farm subsidies, and address the widening income gap between urban and rural residents. Rising labor unrest, particularly in northern and interior cities, is another particularly troubling issue for Beijing, a regime founded on communist-inspired notions of a workers’ paradise. Increasing labor unrest also has placed greater pressure on the authority and credibility of the All-China Federation of Trade Unions (ACFTU), China’s only legal labor organization.³⁹

17th Party Congress, October 15 - 21, 2007. In mid-October 2007, the Chinese Communist Party held its 17th Party Congress — an important Party conclave held every five years to set the policy direction and make leadership decisions for the coming five years. In terms of substance, the 17th Party Congress brought no surprises. General Secretary Hu Jintao reported that the Party would continue to emphasize its overall goal of economic investment and export-oriented reform, although it would place more importance on encouraging domestic consumption. The key catch-phrase in the report was to adhere to the “Scientific Development Concept” — a concept designed to move away from a “development at all costs” approach and toward economic and social progress that focuses on improvements in people’s livelihood, employment, health, national education, renewable energy resources, and environmental quality. Hu’s report also addressed the issue of Taiwan, adhering to the “one-China” principle but calling also for cross-strait consultations, ending hostilities, and “reaching a peace agreement.” Taiwan’s

³⁸ See CRS Report RL33416, *Social Unrest in China*, by Thomas Lum.

³⁹ The ACFTU is controlled by the Communist Party. For background and further details, see CRS Report RL31164, *China: Labor Conditions and Unrest*, by Thomas Lum.

then-President Chen Shui-bian denounced the overture, saying that basing such a treaty on the “one-China” principle would make it “a treaty of surrender.”⁴⁰

Political Issues and Democratization. For much of the year leading up to the 17th Party Congress, U.S. China-watchers followed a remarkably public PRC debate on political reform that hinted at ongoing internal Party dissension between conservatives and reformers.⁴¹ Despite this, the Party endorsed no major political reforms and further made clear that its monopoly on power would continue. But in a clear sign that the Party is feeling increasing pressure from public sentiment — what Hu in his report acknowledged as the “growing enthusiasm of the people for participation in political affairs” — Hu’s report called for modest, controversial, and potentially far-reaching democratization reforms, but only within the Party itself. These included allowing greater public participation in nominating Party leaders at grassroots levels and allowing ordinary Party members to participate in direct elections for lower level leaders, among others.

New Leaders. The Party also chose its new leaders for the coming five years. As expected, Party Secretary Hu Jintao was reaffirmed to his leadership role, and he along with five other senior leaders remained on the nine-member Politburo Standing Committee (PSC), the Party’s most authoritative and important entity. Of the four new PSC members, two — Xi Jinping and Li Keqiang — have been tipped as frontrunners to be Hu Jintao’s successor as Party Secretary at the 18th Party Congress in 2012. The two are the only PSC members to have been born in the 1950s, making them the first of the “fifth generation” of China’s potential leadership to rise to this level. If accepted retirement practices hold true (at age 68), only these two will be young enough to remain in the Politburo of the 18th Party Congress.

Tibet. As the demonstrations and crackdown in March 2008 indicate, the political and cultural status of Tibet remains a difficult issue in U.S.-China relations and a matter of debate among U.S. policymakers. Controversy continues over Tibet’s current political status as part of China, the role of the Dalai Lama and his Tibetan government-in-exile, and the impact of Chinese control on Tibetan culture and religious traditions. The U.S. government recognizes Tibet as part of China and has always done so, although some dispute the historical consistency of this U.S. position. But the Dalai Lama, Tibet’s exiled spiritual leader, has long had strong supporters in the U.S. Congress who have continued to pressure the White House to protect Tibetan culture and give Tibet greater status in U.S. law. It was largely because of this congressional pressure that in 1997, U.S. officials created the position of Special Coordinator for Tibetan issues. The current Special Coordinator — Paula

⁴⁰ Bradsher, Keith, “Taiwan leader dismisses Hu overture,” *New York Times*, October 18, 2007.

⁴¹ For instance, early in 2007 *Beijing Ribao* (Beijing Daily) published an article entitled “Democracy is a Good Thing.” This was republished by *Xueshi Shibao* (Study Times), the Central Party School’s publication. Other articles included one by a former Vice President of Renmin University (Xue Tao) on the negative trends of China’s opening up, entitled “Only Democratic Socialism Can Save China: Choosing a Preface for Xin Ziling’s Art: The Merits and Sins of Mao Zedong.” “China’s Renmin University ex-vice-president calls for political reform,” *BBC Monitoring Asia Pacific*, March 1, 2007.

Dobriansky, Under Secretary of State for Global Affairs — is the highest-ranking U.S. official to have held this position.⁴²

Status of The Panchen Lama. Controversy has continued over the fate of a young boy recognized by the Dalai Lama in 1995 as the 11th reincarnation of the Panchen Lama — the second highest-ranking lama in Tibetan Buddhism. (Tibetans believe that when a high-ranking spiritual leader dies, he is then reincarnated to await rediscovery by special “search committees.”) Beijing reportedly was furious that the Dalai Lama made his announcement unilaterally without involving leaders in Beijing, saying this a direct challenge to central government authority. PRC officials, maintaining that only they had the authority to name this spiritual leader, named another boy, five-year-old Gyaltzen Norbu, who was officially enthroned as the 11th Panchen Lama on November 29, 1995. While this second boy made his first official appearance before an international audience on April 13, 2006, the Chinese government has never allowed anyone to have access to or information about the first boy recognized by the Dalai Lama. Allegedly he remains with his family under government supervision (some say house arrest), with his whereabouts being kept secret. The missing boy turns 18 this year.

China's New “Reincarnation Law”. The case of the 11th Panchen Lama raised implications for what happens upon the death and subsequent reincarnation of the current Dalai Lama (the 14th). Apparently mindful of its previous experience, Beijing took steps in 2007 designed to assure its future control over the selection process. On August 3, 2007, the State Administration for Religious Affairs (SARA) issued a set of regulations, effective September 1, 2007, requiring prior government approval for all Tibetan Buddhist reincarnations through the submission of a “reincarnation application.” In a statement accompanying the regulations, SARA called the step “... an important move to institutionalize management on reincarnation of living Buddhas.”⁴³ The Dalai Lama’s Special Envoy, Lodi Gyaltzen Gyari, described the regulations as a blow against “the heart of Tibetan religious identity.” SARA’s regulations also require that reincarnation applications come from “legally registered venues” for Tibetan Buddhism, a provision seen as an attempt to illegalize the reincarnation of the current Dalai Lama — now living in exile in Nepal — who has declared he will not be reborn in China if circumstances in Tibet remain unchanged. The regulations insert the Chinese government directly into what for centuries has been one of the principal mystical and religious aspects of Tibetan Buddhism.

Sino-Tibetan Negotiations. One of the responsibilities of the U.S. Special Coordinator for Tibet (now Under Secretary of State for Democracy and Global Affairs Paul Dobriansky) is to encourage negotiations and other contacts between the PRC government and the Dalai Lama’s government-in-exile. Under the Tibetan Policy Act of 2002 (Section 613 of P.L. 107-228), the Coordinator is to issue an annual report on her office’s activities and on the status of any Sino-Tibetan

⁴² For background and details, see CRS Report RL30983, *Tibet, China, and the 107th Congress: Issues for U.S. Policy*, by Kerry Dumbaugh.

⁴³ An English translation of the new laws is provided by the International Campaign for Tibet at [<http://savetibet.org/news/newsitem.php?id=1159>].

negotiations. The most recent report submitted by Under Secretary Dobriansky, dated June 2007, found grounds for limited optimism on Sino-Tibetan contacts, but raised questions about whether the momentum could be sustained.⁴⁴

In addition to this report, the Under Secretary's office is responsible for submitting the annual State Department Country Reports on Human Rights Practices, mandated by Sections 116(d) and 502(B)(b) of the Foreign Assistance Act of 1961. The section on China specifically includes separate accounts for Tibet, Hong Kong, and Macau. While the latest report (released in March 2007) judged the PRC government's human rights record in Tibet to remain very poor, it found the same limited grounds for optimism on Sino-Tibetan contacts as does the latest Tibet negotiations report cited above.⁴⁵

Until the March 2008 crackdown, grounds for optimism in Sino-Tibetan talks had been raised slightly by a set of recurring interactions between the PRC government and delegations from the Tibetan community led by the Dalai Lama's special envoy in the United States, Lodi Gyaltzen Gyari.⁴⁶ In these negotiations, the Dalai Lama's special envoy acknowledged differences but also had favorable reactions to the talks, saying "Our Chinese counterparts made clear their interest in continuing the present process and their firm belief that the obstacles can be overcome through more discussions and engagements."⁴⁷ From June 29-July 5, 2007, Lodi Gyari and another Dalai Lama envoy, Kelsang Gyaltzen, held the sixth round of these talks in Beijing. The two envoys' description of the discussions — that they were "candid and frank" and involved the Tibetan side's "serious concerns [expressed] in the strongest possible manner" — suggests little progress in the dialogue process.⁴⁸

On May 4, 2008, in the wake of the March 2008 demonstrations, the Dalai Lama's personal envoys again held what they described as "informal talks" with PRC representatives in Shenzhen, China.⁴⁹ These also were described as "candid and frank," but they did result in a decision to schedule a seventh round of formal talks.

Xinjiang's Ethnic Muslims. For years, the PRC government also has maintained a repressive crackdown against Tibetans and Muslims, particularly against Uighur "separatists" — those in favor of independence from China — in the

⁴⁴ The full text of the latest Report on Tibet Negotiations can be found at the following website: [<http://www.state.gov/p/eap/rls/rpt/2007/88157.htm>]

⁴⁵ The full text of the latest State Department human rights report can be found at the following website: [<http://www.state.gov/g/drl/rls/hrrpt/2006/78771.htm>]

⁴⁶ Lodi Gyari gave a news conference about these talks at the National Press Club in Washington, DC, on November 2, 2005.

⁴⁷ Statement by Special Envoy Lodi Gyari, released on February 25, 2006.

⁴⁸ Kang Lim, Benjamin, "China, Dalai Lama's envoy to hold dialogue," Reuters News, May 16, 2007.

⁴⁹ The PRC officials, Executive Vice Minister Zhu Weiqun and Vice Minister Sithar, are with the Party's United Front Work Department. They have been the PRC participants in Sino-Tibetan talks for several years.

Xinjiang-Uighur Autonomous Region in western China. U.S. officials warned after September 11, 2001 that the global anti-terror campaign should not be used to persecute Uighurs or other minorities with political grievances against Beijing. But some believe that the U.S. government made a concession to the PRC on August 26, 2002, when it announced that it was placing one small group in China, the East Turkestan Islamic Movement (ETIM), on the U.S. list of terrorist groups. In early January 2007, PRC officials claimed that the ETIM was the target of a Chinese raid on a suspected terrorism camp in Xinjiang. No details were given, although PRC officials reportedly said that 18 were killed and 17 arrested.⁵⁰

Internet and Media Restrictions. The explosive growth of the Internet, cell phones, and text messaging in China has helped make these relatively unregulated electronic sources the dominant source of information for PRC citizens. Beijing has increasingly viewed these new information sources as potential threats to the central government's ability to control information flows, and for several years PRC leaders have attempted to restrict and control the scope of Web content and access. Beijing's attempts to restrict and police the Internet have attracted congressional attention; on May 20, 2008, for example, the Senate Judiciary Human Rights Subcommittee held hearings to review the actions of a U.S. company, Cisco, which reportedly has played a role in helping the PRC construct an Internet monitoring system.⁵¹

On September 25, 2005, China imposed new regulations designed to further limit the type of electronic news and opinion pieces available to the Web-savvy in China.⁵² Among other things, the regulations prohibits major search engines from posting their own independent commentary on news stories, stipulating that only opinion pieces provided by state-controlled media may be posted; requires internet service providers to record the content, times, and Internet addresses of news information that is published and to provide this information to authorities upon inquiry; and in vague terms prohibits certain kinds of content from being posted, such as content that "undermines state policy" or "disseminates rumors [and] disturbs social order."⁵³ The regulations are backed by penalties, including fines, termination of Internet access, and possible imprisonment.

⁵⁰ "Muslim Terror Raid Finds 'International' Ties," *New York Times*, January 10, 2007, p. 14.

⁵¹ Noyes, Andrew, "Cisco grilled for allegedly helping Chinese surveillance," *National Journal.com*, May 20, 2008.

⁵² "'Full Text' of PRC Internet News Information Service Management Rules," jointly promulgated by the PRC State Council Information Office and the Ministry of Information Industry, September 25, 2005, *Beijing Xinhuan Wang*, in FBIS, CPP2005926038001.

⁵³ *Ibid.*, Article 19.

Human Rights

The Bush Administration generally has favored selective, intense pressure on individual human rights cases and on rule of law issues rather than the broader approach adopted by previous American administrations. The PRC government periodically has acceded to this White House pressure and released early from prison political dissidents, usually citing health reasons and often immediately preceding visits to China by senior Bush Administration officials. On March 14, 2005, for instance, PRC officials released Uighur businesswoman Rebiya Kadeer, arrested in 1999 for “revealing state secrets.” The same day, the U.S. government announced that it would not introduce a resolution criticizing China’s human rights record at the 61st Session of the U.N. Commission on Human Rights (UNCHR) in Geneva from March 14 to April 22, 2005.⁵⁴

There were no such symbolic PRC gestures before President Bush’s November 2005 visit to China. Moreover, during his Asia visit, President Bush publicly adopted a different human rights approach, making universal freedom, religious freedom, and democratization appear to be the centerpiece of U.S. policy in Asia. There has been little sign that the U.S. position on human rights has affected PRC policies, although there is growing evidence of increasing social demands within China for greater accountability, transparency, and responsiveness in government, particularly in cases of official corruption and malfeasance.

Religious Freedom. The PRC continues to crack down on unauthorized religious groups and to restrict the freedoms of ethnic communities that seek greater religious autonomy. Much of this repression focuses on what PRC officials have classified as illegal religious “cults” such as the Falun Gong and the Three Grades of Servants Church.⁵⁵ Reports about religious freedom in China suggest that state persecution of some religious and spiritual groups will likely continue as long as the Chinese Communist Party (CCP) perceives these groups to be threatening to its political control. However, religions in the PRC have also attracted increasing numbers of adherents as well.

In the China section of its most recent annual *International Religious Freedom Report*, released September 14, 2007, the U.S. Department of State judged China’s record on religious freedom to remain poor and substantially the same as during previous years. The State Administration for Religious Affairs, SARA, (formerly known as the Religious Affairs Bureau, or RAB) continues to require churches to register with the government. Churches that are unregistered, so-called house churches, continue to be technically illegal and often repressed by the government. As in the past, however, treatment of unregistered churches varies widely from locality to locality, with some local officials highly repressive and others surprisingly tolerant.

⁵⁴ In 2006, the UNCHR was replaced by a new 47-member U.N. body, the U.N. Human Rights Council (“the Council”). The United States elected not to run for a seat on the Council on the grounds that the performance of the new body first needed to be evaluated over time.

⁵⁵ See CRS Report RL33437, *China and Falun Gong*, by Thomas Lum.

Some suggest that in recent years the Communist Party has sought ways to recognize religion as an integral part of Chinese society and to support religious practices that it deems to perform positive social and political functions. At a national work conference on religion in 2001, for instance, then-Party Secretary Jiang Zemin stressed religion's positive role in society. On the other hand, by 2004 it appeared that Party officials had grown more concerned about religion's "destabilizing" effects. In January 2004, SARA held a national work conference on religion that instead emphasized what it saw as negative and destabilizing aspects of religious observance, including cults and the growing circulation of foreign religious materials. As they have in the past, Communist Party officials continue now to stress that religious belief is incompatible with Party membership.

Family Planning Policies. Because of allegations of forced abortions and sterilizations in PRC family planning programs, direct and indirect U.S. funding for coercive family planning practices is prohibited in provisions of several U.S. laws. In addition, legislation in recent years has expanded these restrictions to include U.S. funding for international and multilateral family planning programs, such as the U.N. Population Fund (UNFPA), that have programs in China. (Section 660(c) of the House-passed version of H.R. 2764, the FY2008 State, Foreign Operations, and Related Programs Appropriations Bill for FY2008 Department, prohibits funds for a UNFPA country program in China and requires a report on the UNFPA China program from the Secretary of State. The House passed the measure on June 21, 2007.)

While the PRC has maintained its restrictive and at times coercive "one-child" program for several decades, there are growing indications that the government may be re-thinking this policy. Early in 2004, China's new leadership appointed a task force to study the country's demographic trends and their implications for economic development. In October 2004, reports surfaced that Beijing was considering at least one proposal to eventually scrap the one-child policy because of currently low PRC birth rates and the economic implications this has for supporting China's huge aging population. On January 6, 2005, the director of China's National Population and Family Planning Commission stated that the government intended to modify criminal law to make it illegal to selectively identify and abort female fetuses.⁵⁶

There also is growing evidence that citizens of the PRC are becoming more assertive about their reproductive rights.⁵⁷ In mid-May 2007, news accounts reported violent public protests in Guangxi Province (Bobai County) over the "savage implementation" of family planning policies by local authorities, including the retroactive imposition of extraordinarily heavy fines and the confiscation or

⁵⁶ PRC statistics show that nearly 120 boys are born for every 100 girls — a gender ratio suggesting selective abortion of female fetuses. The "natural" male-female gender ratio is about 105-100, according to a United Nations estimate. "Analysts View Problems with Huge PRC Gender Gap," *South China Morning Post*, January 7, 2005.

⁵⁷ Pan, Philip, "Who controls the family? Blind activist leads peasants in legal challenge to abuses of China's population-growth policy," *Washington Post*, August 27, 2005, p. A1.

destruction of household goods and food.⁵⁸ The “one-child” policy has also been mentioned in connection with the Sichuan earthquake of May 12, 2008, where the widespread destruction of schools meant that many parents lost their only child.

Hong Kong Governance

China’s Hong Kong Special Administrative Region (HKSAR), a British colony until being returned to Chinese rule in 1997, remains a political work-in-progress under several Sino-British agreements reached concerning the territory’s governance. Promised “a high degree of autonomy” by Beijing — and ultimately universal suffrage and full democracy — Hong Kong functions as an effectively separate system with a certain level of democratization and significantly greater individual and political freedoms than mainland China. But many of Hong Kong’s approximately 6 million residents fault what they see as Beijing’s covert and at times direct intervention in setting a glacial pace for Hong Kong’s democratic reforms.

On March 25, 2007, for instance, Hong Kong’s Executive, Donald Tsang, won a second five-year term to that post in an election in which the only eligible voters were the 795 members of the Hong Kong Election Committee. Pro-democracy activists had argued that Hong Kong was politically mature enough to conduct the election by universal suffrage, but this was refuted by Beijing. Still the 2007 election was the first in which a challenger, Alan Leong, took on the incumbent who was universally seen as Beijing’s choice for the post. In addition, Chief Executive Tsang and Mr. Leong held two public TV debates — again an unprecedented development for Hong Kong.

Chief Executive Tsang, generally seen as able and well-respected, replaced Hong Kong’s unpopular former Chief Executive, Tung Chee-hwa, who submitted his resignation on March 10, 2005, two years before his term was to expire. Controversy under Mr. Tung’s tenure grew steadily after late summer 2003, when massive peaceful demonstrations, involving tens of thousands of Hong Kongers began to be held in opposition to “anti-secession” laws proposed by Mr. Tung and in favor of more rapid progress toward democratization. Beijing dealt these democratic aspirations a stinging setback in April 2004 by ruling that universal suffrage not only was not to be allowed as early as 2007 (when Hong Kong’s constitution, the Basic Law, implies it is possible), but that Beijing, and not Hong Kong, would determine the proper pace for democratic reforms.

U.S. policy toward Hong Kong is set out in the U.S.-Hong Kong Policy Act of 1992 (P.L. 102-383). In addition to requiring annual U.S. government reports on Hong Kong’s conditions through 2006, this act allows the United States to treat Hong Kong more leniently than it treats the PRC on the condition that Hong Kong remains autonomous. Under the act, the President has the power to halt existing agreements with Hong Kong or take other steps if he determines that Beijing is interfering unduly in Hong Kong’s affairs.⁵⁹

⁵⁸ Reported in *Tung Fang Jih Pao*, May 21, 2007, translated in *FBIS*, FEA20070522158306.

⁵⁹ A specific intention of the Hong Kong Policy Act was to permit the U.S. government to
(continued...)

U.S. Policy Implications

Some U.S. observers have become increasingly concerned about China's growing economic and political reach in the world, often referred to as "China's rise," and what it means for global U.S. economic and political interests, U.S.-China relations, and concerns for Taiwan's security. Some in this debate believe China's rise is a malign threat that needs to be thwarted; others believe that it is an inevitable phenomenon that needs to be managed. As was the 109th Congress before it, the 110th Congress is facing recurring issues involving this emerging debate and how U.S. interests may best be served.

According to one school of thought, China's economic and political rise in the world is inevitable and needs to be accommodated and managed. In this view, as China becomes more economically interdependent with the international community, it will have a greater stake in pursuing stable international economic relationships. Growing wealth in the PRC is likely to encourage Chinese society to move in directions that will develop a materially better-off, more educated, and cosmopolitan populace. Over time, this population could be expected to press its government for greater political pluralism and democracy — two key U.S. objectives.

Therefore, from this perspective, U.S. policy should seek to work more closely with the PRC, not only to encourage these positive long-term trends, but to seek ways to mutually benefit by cooperating on important global issues such as alternative energy sources, climate change, and scientific and medical advancements. Ultimately, some proponents of accommodation say, the United States simply will have to make room for the economic and political appetites of the superpower that China is likely to become. Viewing the PRC as a "threat" or attempting to contain it, these proponents say, could produce disastrous policy consequences for U.S. interests. In addition to possible military conflict with the PRC, these consequences could include a breakdown in PRC governance, a fragmentation of the country itself, the creation of greater Chinese nationalism with a strong anti-American bias, and/or an increasingly isolated United States that the international community may see as out of step with global trends.

Other proponents of the "inevitability" of China's rise stress especially the extreme competitive challenges of China's growing power. They say these challenges, even if benign, pose potentially huge consequences for U.S. global interests. Beijing officials, say this group, view the world as a state-centered, competitive environment where power is respected, and PRC leaders are determined to use all means at their disposal to increase their nation's wealth, power, and influence. A militarily muscular China with substantial international economic ties

⁵⁹ (...continued)

treat Hong Kong differently from the way it treats the rest of China in U.S. law. Thus, the United States has an extradition treaty with Hong Kong but not with China; maintains a liberalized export control regime with Hong Kong but a restrictive one with China; and gives Hong Kong permanent most-favored-nation (MFN) trade status, or "normal trade relations" as it is now known, but gave that status to China separately upon its accession to the WTO, which occurred in 2001.

will be able to wield considerable political power that could prompt U.S. friends and allies to make different choices, eroding U.S. influence around the world. The United States, they argue, should develop a comprehensive strategic plan in order to counter China's growing power by strengthen its existing regional alliances and make new ones, expand overseas investments, sharpen American global competitiveness, and maintain a robust military presence in Asia and elsewhere as a counterweight to growing PRC power and influence.

Others in the American policy debate see less benevolent intentions in China's growing power. PRC leaders, they argue, may be portraying their growth as a "peaceful rise" with no harmful consequences, but actually they are biding their time, simply conforming to many international norms as a strategy while China is still weak. In reality, these proponents say, Beijing seeks at least to erode and at best to supplant U.S. international power and influence. In conducting their international relations, they maintain, Chinese leaders seek to cause rifts in U.S. alliances, create economic interdependence with U.S. friends, and arm U.S. enemies. Despite the statements of support for the U.S. anti-terrorism campaign, according to this view, the PRC's repeated violations of its non-proliferation commitments have actually contributed to strengthening nations that harbor global terrorists. Furthermore, they maintain that the PRC under its current repressive form of government is inherently a threat to U.S. interests, and that the Chinese political system needs to change dramatically before the United States has any real hope of reaching a constructive relationship with Beijing. From this perspective, U.S. policy should focus on mechanisms to change the PRC from within while remaining vigilant and attempting to contain PRC foreign policy actions and economic relationships around the world where these threaten U.S. interests.

Selected Legislation in the 110th Congress⁶⁰

Public Laws

Energy Independence and Security Act of 2007 — P.L. 110-140.

Introduced as H.R. 6 on January 12, 2007, P.L. 110-140 became the vehicle for omnibus energy legislation, including provisions concerning China contained in H.R. 3221, introduced by Representative Pelosi. The final Act includes language that authorizes the Secretary of Commerce to take efforts to promote U.S. clean energy technology exports to India, China, and other countries that may benefit. (The legislative journey to the public law has a convoluted history, containing selected provisions from 14 bills, including H.R. 3221, and three resolutions. The President signed the omnibus measure into law on December 19, 2007.)

Department of State, Foreign Operations, and Related Programs Appropriations Act, 2008 — P.L. 110-161. Introduced as H.R. 2764 by Representative Lowey. The final public law (P.L. 110-161) included provisions requiring U.S. representatives at international financial institutions to support

⁶⁰ For legislative action during the 109th Congress, see CRS Report RL32804, *China-U.S. Relations During the 109th Congress*, by Kerry Dumbaugh.

projects in Tibet if they do not provide incentives for non-Tibetan immigration into Tibet; and provided \$5 million in ESF funds to NGOs supporting cultural traditions, sustainable development, and environmental protection in Tibet. Section 733 of the enacted bill prohibited a rule allowing poultry products to be imported from China. The final bill also required 15-day prior notification to both Appropriations Committees before processing licenses for the export to China of satellites of U.S. origin; and provided \$15 million in democracy assistance funds for China, Hong Kong, and Taiwan, providing that monies for Taiwan be matched by non-U.S. government sources; and \$150,000 for the U.S. Senate-China Interparliamentary Group, to remain available until September 2009. The final bill also prohibited funds for a United Nations Population Fund (UNFPA) program in China (Section 660(c)). After a complicated series of procedural floor motions in December 2007, the bill was sent to the President, who signed it on December 26, 2007.

National Defense Authorization Act for FY2008 — P.L. 110-181.

Introduced as H.R. 4986, Section 1263 of P.L. 110-181 adds a reporting requirement to the Annual Report on Military Power of the People's Republic of China (authorized in P.L. 106-65). The new reporting requirement is to include information on China's asymmetric and cyber-warfare capabilities. The bill was signed on January 28, 2008.

Other Pending Legislation

H.Con.Res. 73 (Tancredo)

Expressing the sense of Congress that the United States should resume diplomatic relations with Taiwan. Introduced on February 16, 2007. Referred to the House Foreign Affairs Committee.

H.Con.Res. 136 (Chabot)

Expressing the sense of Congress that the United States lift restrictions on high-level visits by officials from Taiwan and allow direct high-level dialogue between officials from both governments. Introduced on May 1, 2007. Referred to the House Foreign Affairs Committee, which held mark-up on June 26, 2007. The House passed the measure by voice vote on July 30, 2007, and the measure was referred to the Senate Foreign Relations Committee on August 3, 2007.

H.Con.Res. 137 (Berkley)

Expressing the sense of Congress that the United States should initiate immediate negotiations to enter into a free trade agreement with Taiwan. Introduced on May 1, 2007. Referred to the House Ways and Means Committee's Trade Subcommittee on May 15, 2007.

H.Res. 422 (Lee)/S.Res. 203 (Menendez)

Calling on the PRC to use its leverage with Sudan to stop the violence in Darfur and to comply with U.N. directives. The measure states that the spirit of the Olympics is incompatible with acts supporting genocide. The House bill was introduced on May 21, 2007, and referred to the House Foreign Affairs Committee, which held markup on May 23, 2007. On June 5, 2007, the House passed the measure on the suspension calendar by 410-0. The Senate bill was introduced on May 16 and referred to the Senate Foreign Relations Committee, which ordered the

measure reported with an amendment in the nature of a substitute on June 27, 2007. The Senate agreed to its measure on July 30, 2007.

H.Res. 552 (Marshall)

Calling on the PRC to remove barriers on U.S. financial services firms doing business in China. Introduced July 17, 2007, and referred to the House Financial Services Committee. The House passed the measure on the suspension calendar on September 5, 2007, by a vote of 401-4.

H.Res. 628 (Waters)

Expressing the sense of the House that the President boycott the summer 2008 Olympics in Beijing because of PRC activities in Sudan. Introduced August 4, 2007, and referred to the House Foreign Affairs Committee. (Similar legislation is H.Res. 610 and H.Res. 608, both introduced by Representative Rohrabacher on August 3 and August 2, 2007.)

H.Res. 676 (Ros-Lehtinen)

The measure restates and reinforces Section 3(a) of the Taiwan Relations Act relating to U.S. arms sales to Taiwan, emphasizing that decisions shall be made “based solely” on Taiwan’s legitimate defense needs. The bill specifically targeted the Bush Administration’s “non-responsiveness” to Taiwan’s request to buy F-16C/D fighters. Introduced on September 25, 2007, and referred to the House Foreign Affairs Committee. The Committee held mark-up on September 26, 2007, and the full House passed the bill on the suspension calendar by voice vote on October 2, 2007.

H.Res. 1195 (Wu)

A measure expressing sympathy and condolences to the people of China for the grave loss of life and vast destruction caused by the Sichuan earthquake of May 12, 2008. The House passed the measure on May 20, 2008, by voice vote.

H.R. 571 (Tancredo)

A bill to require that additional tariffs be imposed on products of non-market economies, which the bill specifically defines as including the People’s Republic of China. Introduced January 18, 2007. Referred to the House Ways and Means Committee, Subcommittee on Trade.

H.R. 678 (Holt)

The National Security Language Act. The bill seeks to expand and improve U.S. foreign language study in “less commonly taught” languages, including Chinese. Introduced January 24, 2007. Referred to House Committees on Education and Labor; Select Intelligence; Armed Services.

H.R. 782 (Ryan)

The Fair Currency Act of 2007. (Related Senate bill S. 796.) The bill amends Title VII of the Tariff Act of 1930 to provide that artificial exchange rates by any country are countervailable export subsidies. The bill requires the U.S. Treasury Secretary annually to analyze foreign countries’ exchange rate policies and embark on negotiations with those countries whose currencies are judged to be in “fundamental misalignment.” Introduced January 31, 2007. Referred to House Ways

and Means Committee and in addition to the House Committees on Financial Services; Foreign Affairs; and Armed Services.

H.R. 1229 (Davis, A., English)

The Non-Market Economy Trade Remedy Act of 2007. The bill amends long-standing U.S. law by extending the applicability of countervailing duty measures also to nonmarket economy countries in addition to market economy countries. The bill also notes that “special difficulties” may exist in calculating benefit amounts in China and authorizes U.S. authorities to use “terms and conditions prevailing outside of China” in such instances. Introduced on February 28, 2007. Referred to the House Ways and Means Committee (February 28) and to the Trade Subcommittee (March 7), which held hearings on March 15, 2007.

H.R. 1390 (Tancredo, Rohrabacher)

A bill to require Senate confirmation of individuals appointed to serve as the Director of the American Institute in Taiwan. Introduced March 7, 2007. Referred to the House Foreign Affairs Committee.

H.R. 1469 (Lantos)

The Senator Paul Simon Study Abroad Foundation Act of 2007. The bill seeks to enhance the competitiveness and security of the United States by promoting foreign language skills and opportunities for expanded study abroad among U.S. students, particularly specifying “non-traditional” destinations such as the People’s Republic of China. The bill establishes, within the U.S. government, a corporation and program to provide grants to American students under the Mutual Education and Cultural Exchange Act of 1961 (22 U.S.C. 2451 et seq). The bill was introduced on June 12, 2007, and was reported by the House Foreign Affairs Committee on May 9, 2007 (H.Rept. 110-138). The House passed the bill by voice vote on the suspension calendar on June 5, 2007. On June 7, the measure was referred to the Senate Foreign Relations Committee, which reported the bill, amended, on March 4, 2008 (S.Rept. 110-272).

H.R. 1585 (Skelton)

National Defense Authorization Act for FY2008. Section 1244 of the bill expresses the sense of Congress that U.S. war-fighting capabilities are potentially under threat by PRC intentions and urges the Secretary of Defense to expand efforts to develop accurate assessments of PRC military capabilities and intentions. Introduced March 20, 2007, and reported to the House Armed Services Committee. Markup on May 9, 2007, and ordered reported by 58-0 (H.Rept. 110-146). Passed by the House May 17, 2007 (397-27), and received in the Senate on June 4, 2007, which considered the bill for a number of days between June 4 and July 31, 2007, when the bill was returned to the calendar. On September 17, 2007, the bill was put before the Senate by unanimous consent and considered on September 18, 19, and 20. The Senate passed the bill, amended, on October 1, 2007, (92-3) and requested a conference with the House. On December 6, 2007, a Conference Report was filed (H.Rept. 110-477), and the House agreed to the Conference Report on December 12, 2007, by a vote of 370-49. Section 1263 of the Conference Report includes a Senate provision to amend P.L. 106-65 to require inclusion of China’s asymmetric capabilities in the Pentagon’s annual report on China’s military power. The House agreed to the Conference Report on December 12, 2007 (370 - 49); the Senate agreed

to the Conference Report on December 14, 2007 (90 - 3). The President vetoed the bill on December 28, 2007. The bill and veto message were referred back to the House Armed Services Committee.

H.R. 2942 (Ryan)

The Currency Reform for Fair Trade Act. To provide for the identification and correction of “fundamentally misaligned” currencies by applying countervailing duties to nonmarket economy countries with currencies so identified. Introduced on June 28, 2007, and referred to the Committees on Ways & Means, Financial Services, and Foreign Affairs.

H.R. 3221 (Pelosi) [P.L. 110-140]

Renewable Energy and Energy Conservation Tax Act of 2007. The bill authorizes the Secretary of Commerce to take efforts to promote U.S. clean energy technology exports to India, China, and other countries that may benefit. Introduced July 30, 2007, and referred to multiple committees. On August 3, the Rules Committee made the bill in order for consideration in the House, where it passed on August 4, 2007, by a vote of 241-172. The bill was placed on the Senate calendar on September 5, 2007. On October 19, 2007, the full Senate attempted to take up H.R. 3221 by unanimous consent, substitute the Senate amendment to the text of H.R. 6, pass the amended bill, insist on its amendment, and request a conference. On December 5, 2007, the House Rules Committee reported a rule allowing for the consideration of H.R. 6 in the House. On December 6, 2007, the House agreed with amendments to the Senate amendments on H.R. 6 (235 - 181). On December 13, 2007, the Senate concurred in the House amendment to the Senate amendment, with an amendment (S.Amdt. 3850), by a vote of 86-8. The House agreed on December 18, 2007 (314 - 100). The President signed the bill on December 19, 2007, and it became P.L. 110-140.

H.R. 3272 (Kirk)

The U.S.-China Diplomatic Expansion Act. The bill provides for increased funding and support for diplomatic engagement with China. Introduced on August 1, 2007, and referred to the House Committee on Foreign Affairs.

H.R. 3273 (Larsen)

The U.S.-China Market Engagement and Export Promotion Act. The bill provides for grants to states to operate state offices in China in order to assist U.S. exporters to promote exports to China. Introduced on August 1, 2007, and referred to the House Foreign Affairs Committee.

H.R. 3274 (Israel)

The U.S.-China Energy Cooperation Act. The bill provides for grants to encourage U.S.-China cooperation on joint research, development, or commercialization of carbon capture and sequestration technology, improved energy efficiency, or renewable energy sources. Introduced on August 1, 2007, and referred to the House Science and Technology Committee, Subcommittee on Energy and Environment.

H.R. 3275 (Davis)

The U.S.-China Language Engagement Act. The bill supports programs offering instruction in Chinese language and culture. Introduced on August 1, 2007, and referred to the House Committee on Education and Labor, Subcommittee on Early Childhood, Elementary, and Secondary Education.

H.R. 5916 (Berman)

The Security Assistance and Arms Export Control Reform Act of 2008. Section 128 of the bill requires a report by the President concerning current U.S. export controls to China on satellites and related items. Section 402 of the measure makes it U.S. policy to oppose any effort by the EU to terminate its arms embargo against China and provides punitive measures in such an event. The bill was introduced on April 29, 2008 and referred to the House Committee on Foreign Affairs. The Committee reported the bill on May 12, 2008 (H.Rept. 110-626), and passed the bill by voice vote on the suspension calendar on May 15, 2008. The bill was sent to the Senate on May 19, 2008.

S.Res. 203 (Menendez)

A resolution calling on China to use its influence to stop genocide and violence in Sudan. Introduced on May 16, 2007, and referred to the Senate Foreign Relations Committee. The Senate passed the measure, amended, on July 30, 2007, by unanimous consent.

S. 796 (Bunning)

The Fair Currency Act of 2007. (Related House bill H.R. 782.) The bill amends Title VII of the Tariff Act of 1930 to provide that exchange-rate misalignment by any foreign nation is a countervailable export subsidy and to amend the Exchange Rates and International Economic Policy Coordination Act of 1988 to clarify the definition of “manipulation” with respect to currency. Introduced March 7, 2007. Referred to the Senate Finance Committee.

S. 1607 (Baucus, Schumer, Graham, Grassley)

The Currency Exchange Rate Oversight Reform Act of 2007. The bill provides for identification and corrective action against “misaligned currencies” that adversely affect U.S. interests. The bill requires the Secretary of the Treasury to submit a report to Congress twice annually analyzing economic and monetary policies of major U.S. trading partners and list currencies judged to be “fundamentally misaligned” (meaning with a prolonged undervaluation with respect to the U.S. dollar) and a list of currencies designated for “priority action.” The bill provides for remedies should a country continue its currency misalignment, including price adjustments under the anti-dumping law; request for IMF action; suspension of new OPIC financing; U.S. opposition to multilateral bank financing; and action in the WTO. The bill permits the President to waive its provisions based on national security or “vital economic” interests. Introduced on June 13, 2007, by Senators Charles Schumer, Lindsey Graham, Max Baucus, and Charles Grassley, the bill was referred to the Senate Finance Committee. The Committee reported the bill on July 31, 2007, with an amendment in the nature of a substitute, and the bill was placed on the Senate calendar. On December 14, 2007, the Senate Finance Committee filed a written report S.Rept. 110-248.

S. 1677 (Dodd)

The Currency Reform and Financial Markets Access Act of 2007. Introduced on June 21, 2007, the bill would require the U.S. Treasury Secretary to analyze exchange rate policies of foreign countries on an annual basis. On August 1, 2007, the Committee ordered the measure reported with an amendment in the nature of a substitute.

Chronology

- 10/08/08** — A federal judge ordered that 17 Uighurs held at Guantanamo Bay be released by the end of the week. The men had been held since 2002.
- 10/07/08** — The PRC announced it was cancelling meetings between U.S. and PRC military officials and planned exchanges on disaster relief and humanitarian assistance, as a result of the U.S. announcement on arms sales to Taiwan.
- 10/03/08** — The Defense Security Cooperation Agency (DSCA) notified Congress of the possible Foreign Military Sale to Taiwan of six different types of defense articles and equipment, consistent with the policies of P.L. 96-8, which could total a maximum of approximately \$6.4 billion.
- 07/21/08** — China and Russia signed the final agreement demarcating their 2,700 mile border.
- 07/20/08** — China reportedly warned Exxon to pull out of an oil exploration deal with Vietnam because it infringed on Chinese sovereignty rights in the South China Sea.
- 07/18/08** — The WTO ruled that China was in violation of WTO trade rules by imposing punitive “buy local” tariffs on foreign automakers.
- 06/03/08** — The PRC in effect disbarred two attorneys, Jiang Tianyong and Teng Biao, by refusing to renew their annual licenses. The two had offered to defend Tibetan activists charged in the March 2008 crackdown.
- 06/03/08** — Police surrounded 100 parents protesting shoddy school construction in Dujiangyan, taking some into custody and preventing the group from filing a lawsuit on the school construction issue.
- 06/01/08** — At a regional security conference in Singapore, Secretary of Defense Robert Gates underscored U.S. security concerns about China’s missile build-up opposite Taiwan.
- 5/20/08** — U.S. company Cisco Systems appeared before a Senate Judiciary Committee hearing for ostensibly playing a role in the Chinese government’s attempts to monitor, censor, and prosecute online Internet activity in China.

- 5/14/08** — The PRC formally requested support from the international community in response to its earthquake disaster of May 12.
- 5/12/08** — A deadly earthquake of 7.9 on the Richter Scale struck China's Sichuan Province. By May 20, it was estimated that 51,000 had been killed, over 280,000 had been injured, and 5 million had been left homeless.
- 03/11/08** — Monks in Lhasa launched a protest against Chinese rule on the 49th anniversary of a violent 1959 anti-Chinese uprising.
- 01/17/08** — The fifth U.S.-China Strategic Dialogue began in Beijing. The Dialogue is jointly chaired by Negroponte and PRC Vice Foreign Minister Dai Bingguo.
- 01/14/08** — In a joint statement with the PRC government, Malawi announced it was severing official relations with Taiwan and recognizing the PRC, leaving Taiwan with just 23 remaining official relationships.
- 01/13/08** — U.S. Admiral Timothy Keating, the top U.S. military commander in the Pacific, arrived in China for four days.
- 01/12/08** — The KMT crushed the DPP in Taiwan's legislative elections, winning 81 seats to the DPP's 27.
- 12/12/07** — The third meeting of the bi-annual U.S.-China Strategic Economic Dialogue (SED) began in Xianghe, China. The two sides signed a 10-year agreement to work together on clean technology and sustainable natural resources.
- 12/11/07** — The United States and China signed an agreement to strengthen regulation of drugs and medical devices that China exports to the United States.
- 11/21/07** — A planned port visit by the USS Kitty Hawk carrier battle group to Hong Kong for Thanksgiving was abruptly cancelled without explanation by the PRC government. An announcement to reverse the decision was made at a Foreign Ministry press conference on November 22, 2007, but the Kitty Hawk had gone on to Japan.
- 11/20/07** — Two U.S. minesweepers, the Patriot and the Guardian, were denied access to the port of Hong Kong when they sought refuge there from an approaching storm.
- 11/20/07** — The *Federal Register* published a DOD notice of a proposed Letter of Offer for an arms sale to the Taipei Economic and Cultural Representative Office (Taiwan) for upgrade and refurbishment of PATRIOT Advanced Capability-3 (PAC-3) Guided Missiles. [Transmittal No. 08-10, pursuant to section 36(b)(1) of the Arms Export Control Act.]

- 11/06/07** — Jerry Yang and Michael Callahan, executives with Yahoo, were grilled by the House Foreign Affairs Committee about Yahoo's turning revealing to China the name of a Chinese journalist holding a Yahoo e-mail account.
- 10/24/07** — China launched its first unmanned lunar probe, the Chang'e 1 orbiter, rocket in the first of a three-stage lunar program, to include landing a rover on the moon by 2012 and a manned lunar mission by 2020.
- 10/17/07** — The Dalai Lama received the Congressional Gold Medal at a ceremony in the Capitol Rotunda attended by President Bush and senior congressional leaders. Beijing strongly protested the decision.
- 09/19/07** — For the 15th consecutive year, a U.N. General Assembly Committee (the General Committee) rejected the recommendation that Taiwan's formal U.N. membership be considered at this year's General Assembly meeting.
- 09/17/07** — China announced it would send a 315-member engineering unit to Darfur in October 2007 as part of a combined U.N.-African Union force of 26,000.
- 09/16/07** — China's Taiwan Affairs Office said that Beijing had "made necessary preparations" to "deal with serious conditions" as a result of Taiwan's U.N. membership bid.
- 09/15/07** — *New York Times* researcher Zhao Yan, arrested for "leaking state secrets," was released from prison after serving a three-year sentence for accepting money from a source, a charge he denied.
- 09/12/07** — The Pentagon announced \$2.2 billion in possible military sales to Taiwan, including 12 surplus Orion P3-C maritime patrol craft and 144 SM-2 Block 3A Standard anti-aircraft missiles, built by Raytheon.
- 09/10/07** — Taiwan Defense Minister Ko Cheng-heng said that Taiwan had an "urgent and legitimate need" to buy F-16s. He made the statement at the Sixth U.S.-Taiwan Defense Industry Conference in the United States.
- 08/14/07** — Mattel announced that it was recalling 436,000 Chinese-made toy cars and 18.2 million other toys because of magnets that could become dislodged and harm children if swallowed.
- 07/10/07** — China announced it had executed Zheng Xiaoyu, the former head of the State Food and Drug Administration, for accepting bribes to approve tainted or fraudulent drugs.
- 06/20/07** — *Reuters* reported that China had overtaken the U.S. as the world's top emitter of carbon gases.

- 06/20/07** — The U.S.-China Senior Dialogue began, hosted by Deputy Secretary John Negroponte at the State Department in Washington, with Dai Bingguo in the PRC interlocutor role.
- 06/19/07** — In a State Department press briefing, Sean McCormack said, “We do not support Taiwan’s membership in international organizations that require statehood [for membership].... The United States opposes any initiative that appears designed to change Taiwan’s status unilaterally. This would include a referendum on whether or apply to the United Nations under Taiwan.”

Appendix A.

Selected Visits by U.S. and PRC Officials

(For U.S.-PRC visits during the 109th Congress, see CRS Report RL32804.)

February 23, 2008 — Secretary of State Condoleezza Rice traveled to China, Korea, and Japan, holding a joint press conference with Foreign Minister Yang Jiechi on February 26, 2008.

January 16, 2008 — U.S. Deputy Secretary of State John Negroponte arrived in Beijing to attend the fifth U.S.-China Strategic Dialogue, scheduled for the 17th and 18th.

January 12, 2008 — Admiral Timothy J. Keating, commander of the U.S. Pacific Command, left for a week-long trip to China. It was the first high-level military exchange since the PRC denied the Kitty Hawk's request for a port visit to Hong Kong over the Thanksgiving holiday.

December 11, 2007 — U.S. Treasury Secretary Henry Paulson arrived in Beijing for the third official Strategic Economic Dialogue (SED). The meeting resulted in agreements on food and product safety, energy, and the environment.

November 4, 2007 — U.S. Secretary of Defense Robert Gates arrived in Beijing for a three-day visit, his first official visit to China as Secretary of Defense. Both sides reached consensus on a number of issues, including setting up an official military hotline.

August 17, 2007 — U.S. Chairman of the Joint Chiefs Navy Admiral Michael G. Mullen arrived in Beijing for a visit, including stops in Beijing, naval facilities along China's east and northeast coasts, and the naval academy in Dalian.

July 23, 2007 — Air Force General Paul V. Hester, the U.S. Pacific Air Forces commander, began a five-day visit to China, the first by a senior U.S. military officer to meet primarily with PLAAF officials. His visit included the first visit by an American commander to Jining Air Base, as well as to Jianqiao Air Base.

May 10, 2007 — New U.S. Pacific forces commander Admiral Timothy J. Keating began his first five-day visit to China as Pacific commander. He took command in his new post on March 26, 2007. He pledged to continue to improve U.S.-China military contacts and exchanges and to intensify joint exercises.

March 22, 2007 — U.S. Chairman of the Joint Chiefs Marine General Peter Pace arrived in Beijing for a visit, including a trip to Anshan Air Base in the Shenyang Military Region. There, Pace examined a PRC-built Su-27 fighter-bomber.

March 7, 2007 — U.S. Treasury Secretary Henry Paulson arrived in Beijing for his third official visit in his seven-month tenure as Secretary. His visit purportedly was to discuss with his counterpart, Wu Yi, the second meeting (upcoming in May)

of the U.S.-China strategic economic dialogue in the United States. The Secretary reportedly urged China to open its markets more quickly.

March 3, 2007 — On his first official visit to Asia as Deputy Secretary of State, John Negroponte arrived in Beijing for three days of talks. He met with Foreign Minister Li Zhaoxing, State Councilor Tang Jiaxuan, and vice foreign ministers Dai Bingguo and Yang Jiechi. At the end of his trip, he addressed the 17.8% increase in China's military budget, saying the United States wanted China to clarify its "plans and intentions" for its military program.

March 2, 2007 — Alan Holmer, new U.S. Special Envoy for Strategic Economic Dialogue with China, met in Beijing with Vice Premier Wu Yi.

January 23, 2007 — U.S. Assistant Secretary for Commerce Chris Padilla left for Beijing to discuss export controls.

Appendix B.

Selected U.S. Government Reporting Requirements

Report on International Economic and Exchange Rate Policies (*semiannual report*)

Most recent date available: December 19, 2007

Agency: U.S. Department of the Treasury

Legislative authority: P.L. 100-418, the Omnibus Trade & Competitive Act of 1988

Full text: [<http://www.treasury.gov/offices/international-affairs/economic-exchange-rates/pdf/Dec2007-Report.pdf>]

International Religious Freedom Report, China (*annual report*)

Most recent date available: September 14, 2007

Agency: U.S. Department of State, Bureau of Democracy, Human Rights, and Labor

Legislative authority: P.L. 105-292, the International Religious Freedom Act (IRFA) of 1998, Section 102(b)

Full text: [<http://www.state.gov/g/drl/rls/irf/2007/>]

U.S. Commission on International Religious Freedom (*annual report*)

Most recent date available: May 2007

Agency: U.S. Commission on International Religious Freedom (USCIRF)

Legislative authority: P.L. 105-292, the International Religious Freedom Act (IRFA) of 1998, Section 203

Full text: [<http://www.uscirf.gov/countries/publications/currentreport/2007annualRpt.pdf#page=1>]

Reports on Human Rights Practices, China (*annual report*)

Most recent date available: March 11, 2008

Agency: U.S. Department of State, Bureau of Democracy, Human Rights, and Labor

Legislative authority: The Foreign Assistance Act of 1961 (FAA), as amended, Sections 116(d) and 502(b); and the Trade Act of 1974, as amended, Section 504

Full text: [<http://www.state.gov/g/drl/rls/hrrpt/2007/index.htm>]

Military Power of the People's Republic of China (*annual report*)

Most recent date available: March 2008

Agency: U.S. Department of Defense

Legislative authority: P.L. 106-65, the National Defense Authorization Act for FY2000, Section 1202

Full text: [http://www.defenselink.mil/pubs/pdfs/China_Military_Report_08.pdf]

Unclassified Report to Congress on the Acquisition of Technology Relating to Weapons of Mass Destruction and Advanced Conventional Munitions (*annual report*)

Most recent date available: January 1 through December 31, 2004

Agency: Director of Central Intelligence

Legislative authority: FY1997 Intelligence Authorization Act, Section 721

Full text: [http://www.dni.gov/reports/2004_unclass_report_to_NIC_DO_16Nov04.pdf]

International Narcotics Control Strategy Report (*annual report*)

Most recent date available: March 2007

Agency: U.S. Department of State, Bureau for International Narcotics and Law Enforcement Matters

Legislative authority: Section 489 of the Foreign Assistance Act of 1961, as amended (the “FAA,” 22 U.S.C. § 2291); sections 481(d)(2) and 484(c) of the FAA; and section 804 of the Narcotics Control Trade Act of 1974, as amended). Also provides the factual basis for designations in the President’s report to Congress on major drug-transit or major illicit drug producing countries pursuant to P.L. 107-115, the Kenneth M. Ludden Foreign Operations, Export Financing, and Related Programs Appropriations Act, 2002, Section 591

Full text Volume I: [<http://www.state.gov/documents/organization/81446.pdf>]

Full text Volume II: [<http://www.state.gov/documents/organization/81447.pdf>]

Report to Congress on China’s WTO Compliance (*annual report*)

Most recent date available: December 11, 2007

Agency: United States Trade Representative

Legislative authority: P.L. 106-186, the U.S.-China Relations Act of 2000, authorizing extension of Permanent Normal Trade Relations to the PRC, Section 421

Full text: [http://www.ustr.gov/assets/Document_Library/Reports_Publications/2007/asset_upload_file625_13692.pdf]

Report Monitoring to Congress on Implementation of the 1979 U.S.-PRC Agreement on Cooperation in Science and Technology (*biannual report*)

Most recent date available: April 15, 2005

Agency: U.S. Department of State, Office of Science and Technology Cooperation

Legislative Authority: P.L. 107-314, Bob Stump National Defense Authorization Act Section for FY2003, Section 1207

Full text: [<http://www.state.gov/g/oes/rls/or/44681.htm>]

Report on Tibet Negotiations (*annual report*)

Most recent date available: June 2007

Agency: U.S. Department of State, Bureau of East Asian and Pacific Affairs

Legislative Authority: P.L. 107-228, Foreign Relations Authorization Act, 2003, Section 613

Full text: [<http://www.state.gov/p/eap/rls/rpt/2007/88157.htm>]

Congressional-Executive Commission Report (*annual report*)

Most recent date available: October 10, 2007

Agency: Congressional-Executive Commission on China

Legislative Authority: P.L. 106-286, Normal Trade Relations with the People’s Republic of China, 2000

Full text:

[http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=110_house_hearings&docid=f:38026.pdf]